AZT under fire
The best HIV/Aids treatments now
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Miniature barcodes and white noise
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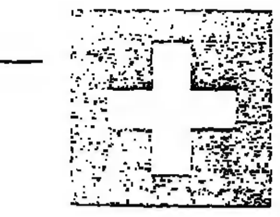

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IN SATURDAY'S **Weekend FT**
Blood brothers: a Zulu divide

FINANCIAL TIMES

Europe's Business Newspaper FRIDAY APRIL 8 1994 D8523A

Premier and UN observers killed in Rwanda unrest

A spate of murder and pillaging in Rwanda yesterday claimed the lives of Agathe Uwilingiyimana, the prime minister, and three Belgians acting as military observers for the United Nations. The murders follow the assassination on Wednesday night of Juvenal Habyarimana, president of the impoverished east African country, together with Burundi president Cyprien Ntaryamira whose aircraft was hit by rocket fire as it landed at Kigali, capital of Rwanda. Page 4

Accord on 'smart' French N-arms: French prime minister Edouard Balladur appears to have struck a compromise with President Mitterrand on nuclear weaponry that could head off the country's development of "smart" atomic arms such as the long-range M5 nuclear missile. Page 14

Adams pessimistic on ceasefire: Sinn Fein president Gerry Adams said he believed it was unlikely that the IRA would extend its 72-hour ceasefire which ended at midnight. Page 6

Worker rights' dispute ended: The US and developing countries settled a dispute over workers' rights which had threatened to overshadow the signing of a global trade accord in Morocco next week. Page 14; So near, yet so far, Page 13; Dumping rules, Page 5

Moscow in disarray: In the latest incident pointing to disarray in the Russian government, foreign minister Andrei Kozyrev denied that a presidential order had been issued setting up 30 military bases in former Soviet states. Page 2

Fears for Gazcoigne over leg injury

The career of Lazio and England footballer Paul Gascoigne, left, could be in jeopardy after the midfield player broke his right leg in two places in a tackle during training. The same leg needed two operations three years ago after he tore knee ligaments at the start of an English FA cup final match.

Daimler slashes dividend: Stark contrasts in Germany's financial and industrial sectors were highlighted with the announcement of a 38 per cent cut in Daimler-Benz's dividend and a 12.5 per cent increase at Dresdner Bank. Page 15; Markets, Section II

Amec, UK construction, engineering and property group, returned to the black last year, making pre-tax profits of £21m ($30.8m). But chairman Sir Alan Cockshaw said the market was likely to remain difficult. Page 16; Lex, Page 14

BP bonuses under fire: BP shareholders attacked incentive schemes for company managers at the oil company's annual meeting in London. Page 15

Invesco, international fund management group, reported annual profits sharply up to £33.4m ($48.8m) after a year of worldwide restructuring and negative publicity in the UK. Page 23; Lex, Page 14

Highland Distilleries, Scotch whisky producer, has bucked the trend of falling profits in the industry lifting pre-tax profits by 10 per cent to £23.4m ($34.2m) in the six months to end-February. Page 16

White House dilemma: The White House wants to nominate Senator George Mitchell to the US Supreme Court while allowing him to remain Senate majority leader for the rest of the political year. Page 3

Run on escudo: Portuguese prime minister Anibal Cavaco Silva was blamed for provoking an attack on the escudo by speculators. Page 2

Japan silent on N Korea threat: The possibility that North Korea is developing nuclear weapons has stirred deep private concerns in Japan that are masked by a public calm. Page 4

Australia jobless total 'to fall': Australia is forecasting a fall in its unemployment rate to below 10 per cent by the end of this year after it fell to 10.3 per cent last month. Page 4

Dhaka protesters shot: Bangladesh's main opposition leader Sheikh Hasina said six people were shot dead during anti-government rallies in Dhaka.

Out in the cold: Disgraced skater Tonya Harding has been excluded from a White House reception for the US Winter Olympics team next week.

■ STOCK MARKET INDICES

FT-SE 100:	3,129.0	(-2.5)
Yield	3.88	
FT-SE Eurotrack 100	1,457.70	(+11.67)
FT-SE-A All-Share	1,578.41	(-0.1%)
Nikkei	19,890.98	(+194.24)
New York lunchtime:		
Dow Jones Ind Ave	3,671.95	(-7.78)
S&P Composite	448.15	(+0.10)

■ US LUNCHTIME RATES

Federal Funds:	$3\frac{7}{16}$%
3-mo Treas Bills: Yld	3.611%
Long Bond	$88\frac{3}{16}$
Yield	7.218%

■ LONDON MONEY

3-mo Interbank	$5\frac{5}{16}$%	($5\frac{3}{8}$%)
Life long gilt future:	Jun $107\frac{13}{32}$	(Jun $108\frac{3}{32}$)

■ NORTH SEA OIL (Argus)

Brent 15-day (May)	$14.42	(14.40)

■ Gold

New York Comex (Jun)	$386.1	(387.1)
London	$384.6	(383.5)

■ STERLING

New York lunchtime:		
$	1.4715	
London:		
$	1.467	(1.4678)
DM	2.5204	(2.5173)
FFr	8.6326	(8.6074)
SFr	2.1287	(2.1275)
Y	153.778	(153.49)
£ Index	79.8	(same)

■ DOLLAR

New York lunchtime:		
DM	1.7163	
FFr	5.879	
SFr	1.4463	
Y	104.85	
London:		
DM	1.7181	(1.7151)
FFr	5.8845	(5.8644)
SFr	1.451	(1.4495)
Y	104.825	(104.575)
$ Index	66.7	(66.6)

Tokyo close Y 104.27

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$19	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KS50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Peso50	Syria	S£50.00
France	FFr9.00	Kuwait	Fils.625	Poland	Zl32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L13000
						UAE	Dh12.00

European trio plans replacement for Concorde

By Christopher Parkes in Frankfurt and Daniel Green in London

Europe's three leading aerospace groups are to join forces in a feasibility study for a supersonic passenger aircraft to succeed the Anglo-French Concorde.

British Aerospace, Aerospatiale of France and Germany's Deutsche Aerospace (Dasa) hope that their study will lead to the production of an aircraft for the second half of the next decade.

They will be seeking cash aid from national governments and from Brussels for the project, which is estimated to cost the makers as much as $15bn for a maximum demand of 1,000 aircraft. One company said the project, the European Supersonic Research Programme (ESRP), needed $100m a year in initial investment.

Two of the three companies, BAe and Aerospatiale, designed and built the Concorde. While that project was loss-making and abandoned with only a handful built, the aircraft has proved a success for British Airways, which operates seven of the 100-seat aircraft.

The normal Concorde return fare between London and New York is more than £5,000 ($7,300) and the airline takes more than £150m a year in ticket revenues from its small fleet. Concorde is limited, however, to North Atlantic routes because of it 6,000km range.

Since the aircraft's development in the 1970s, the growth of Asian economies has created a market linking Europe and east Asia and across the Pacific, which requires an aircraft with greater range.

The outline specification for the ESRP calls for an aircraft with a range of 10,000km, seats for 250 passengers and a speed of Mach 2, twice the speed of sound.

BAe said that if the project went ahead, an aircraft could be flying by the second half of the next decade.

"We want to keep Europe's lead in supersonic passenger aircraft," the company said.

The ESRP companies would share research costs equally in the project, which would focus on materials, engines, systems and aerodynamics, according to Dasa, the loss-making Daimler-Benz subsidiary that holds the German stake in the European Airbus.

The three companies have been part of an international aircraft development study group embracing US, Japanese, Italian and Russian companies, Dasa said. But the trio has now decided to press ahead with its own design.

BAe said it spent less than £5m on pre-feasibility study research last year. It has been in discussion with the UK Department of Trade and Industry about assistance for the new project.

It said that research for the engine for a Concorde successor was "a parallel project" involving the UK company Rolls-Royce, one of the world's three main manufacturers of commercial aero engines.

Output rise confirms recovery of UK industry

Highest growth in Europe brings inflation warning

By Emma Tucker, Economics Staff, in London

The recovery in British industry strengthened decisively in February, as robust manufacturing growth helped push overall production back above its pre-recession levels.

The official figures published yesterday appear to lend weight to the government's assertion that the UK economy is growing faster than other developed economies in Europe.

The index of industrial production rose to 100.7, its highest since June 1990 when it peaked at 102.1. In the three months to February, the index – which covers manufacturing, and the energy and water sectors – was 0.6 per cent higher than in the previous three months. It was up 3.7 per cent compared with a year ago.

Manufacturing output rose a seasonally adjusted 0.6 per cent on the month, buoyed by healthy performances in the engineering and food sectors. The increase, which follows a 1 per cent rise in January, was well ahead of market expectations.

In the three months to February output rose 0.8 per cent against the previous three months, to stand 2 per cent up on the same period a year ago.

According to calculations by the government's Central Statistical Office, manufacturing output is now rising at an annualised rate of roughly 3 per cent.

Signs of a clear revival in industry will hearten the UK government as new taxes on individuals – most of them effective this month – threaten to slow consumer spending, the strongest growing element of the economy.

The Treasury said the figures were "entirely consistent" with recovery across a broad front, and that it was particularly encouraged by a pick-up in output of goods used for industrial investment.

But yesterday's news of accelerating output was accompanied by a warning on inflation. A report from Income Data Services, a research company, said the majority of pay rises this year were ahead of the current inflation rate of 2.4 per cent.

IDS said that "a modest upward shift in pay settlements has been under way since the start of the year" with some firms paying higher bonuses and offering more overtime to staff.

On the London stock market dealers took the view that the manufacturing output figures reduced the chances for a further cut in interest rates. However, yesterday's 2.5-point drop in the FT-SE 100 share index to 3,129.0 was more a reflection of a general weakness in the US stock market than fears that lending

Continued on Page 14
Engineering, food boost output, Page 7
Lex, Page 14

Ehud Barak, Israel's chief of staff, wipes his eyes while speaking yesterday with prime minister Yitzhak Rabin (left) during a Holocaust Day ceremony in Jerusalem at the Yad Vashem Holocaust Memorial, following a second Palestinian terrorist attack in 24 hours Picture: Reuter

Israelis seal off territories

By Julian Ozanne in Jerusalem

Israel sealed off the occupied territories for an indefinite period yesterday, banning all Palestinians from entering Israel and East Jerusalem after a second Palestinian attack in 24 hours came as the country remembered six million Jews killed in the Nazi holocaust.

The move cuts off tens of thousands of Palestinians from their jobs. It followed a warning by extremist Islamic groups, responsible for slaying eight Israelis in two separate attacks, that they would step up their violent activities and "continue in the path of blood and martyrdom".

President Bill Clinton condemned the Palestinian attacks as "acts of terrorism" aimed at stopping the Middle East peace process. The Palestine Liberation Organisation, in its first official comment said it regretted Wednesday's car bombing which left seven Israelis dead and urged Israel to implement the Israeli-Palestinian peace accord as soon as possible.

However, the US said last night it was not satisfied with the PLO's reaction to the murders and expected Mr Yassir Arafat, PLO leader, to condemn the killings.

Despite intense domestic pressure the government of Mr Yitzhak Rabin, prime minister, said it would continue peace talks with the PLO in Cairo on Sunday after observing the annual holocaust memorial day and the Jewish sabbath.

Israel's closure of the occupied territories was intended to calm growing public fears in the Jewish state of more bloody attacks by Islamic groups seeking revenge for the February massacre of 29 Arabs by a Jewish settler in Hebron.

In the southern Israeli town of Ashdod, a Palestinian guerrilla of the Islamic Jihad group, who lived in a refugee camp in the Gaza Strip, yesterday sprayed a bus stop at a busy intersection with gunfire, killing an Israeli and wounding four.

Hamas called on Palestinians in the West Bank and Gaza yesterday to stock up on food and supplies and prepare for "an

Continued on Page 14
Israelis relive holocaust, Page 4

Bosnian Moslems call truce for talks

By Our Foreign Staff

Bosnia's Moslem leadership, under mounting diplomatic pressure to enter peace talks with its Serb enemies, yesterday announced a 24-hour ceasefire and said this was intended to pave the way for talks on a longer-term truce.

The gesture was rebuffed by Serb officials, who reiterated demands for an immediate start to talks on a permanent, general ceasefire.

The Moslem announcement signalled a retreat from its previous reluctance to enter peace talks while Serbs were in control of freshly acquired land around the Moslem enclave of Gorazde.

UN military officials could not confirm the new truce, saying they had issued ceasefire documents to both sides and were expecting an answer today.

General Sir Michael Rose, head of UN forces in Bosnia, shuttled between Serb and Moslem commanders but failed to settle terms on which they could meet yesterday afternoon at Sarajevo airport, as initially planned. Another UN officer, Colonel Richard Pernoud, said the two sides might come together today.

Serbian forces have in recent days gained strategically important ground near Gorazde, and thus moved closer to their long-standing goal of unchallenged control of eastern Bosnia, which adjoins Serbia.

The Moslem leadership, whose

Continued on Page 14
Mostar divided by fear, Page 2

Findings on Aids drug AZT undermine Wellcome hopes

By Clive Cookson and Daniel Green in London

Further reports ....Page 7

Results published today in The Lancet medical journal dash the hopes of Wellcome, manufacturer of the leading Aids drug AZT, that fresh data and analysis would vindicate the drug's benefits.

Full findings of the Anglo-French study of AZT confirm the preliminary ones that shocked the medical world a year ago. People who are infected with HIV derive no long-term benefit from taking AZT before they show any symptoms of disease.

The team of scientists from the UK Medical Research Council and France's National Aids Agency, who carried out the so-called Concorde study, conclude that "the results do not encourage the early use of AZT in symptom-free HIV-infected adults."

Concorde leaves more than 10m people worldwide, estimated by the World Health Organisation to be HIV-positive but not yet suffering from Aids, without any proven treatment to delay symptoms.

The study allocated 1,749 patients at random into two groups, one taking AZT and the other a placebo. Their clinical progress was followed for an average of 3.3 years.

People on AZT were doing better than the placebo group after one year. But this "transient benefit" had disappeared by the end of three years, the Concorde scientists say.

Death rates after three years were 8 per cent for the AZT group and 6 per cent for the placebo group; 18 per cent of both groups developed full-scale Aids.

As the news of the study's contents was assimilated by the stock market, Wellcome's shares fell 8p to 557p. They had stood at 762p before the preliminary results appeared a year ago.

Mr John Robb, chief executive, said the final outcome was neither a surprise nor necessarily bad for the drug. The company's strategy with the development of Aids treatments would continue unchanged, he said. The future lay in combining AZT with other drugs to contain the disease.

Several stock market analysts had miscalculated that the full version of the trials would at least soften the harsh preliminary conclusions.

The Concorde team is now following patients' progress for a further 15 months. "We are particularly interested in the mortality rates," said Professor Ian Weller, principal UK investigator. "We want to find out whether the trend to slightly higher mortality in the [AZT] group – 8 rather than 6 per cent – has persisted or even increased."

CONTENTS

Russian government in state of disarray

By John Lloyd in Moscow

The Russian government is displaying disarray at the highest levels, resulting in serious misunderstandings and even panic both within its own ranks and abroad.

A disputed presidential order on the establishment of Russian bases in the territories of the former Soviet states was yesterday the most recent of three incidents within a month which demonstrate either great disorganisation or malign meddling, or both, within the top administrative structures of the state.

These were, in reverse order:

● The official notification by Tass, the state news agency, of a decree said to have been signed on Wednesday by President Boris Yeltsin, establishing 30 military bases in neighbouring states, including Latvia – a decree whose existence was denied yesterday by Mr Andrei Kozyrev, the foreign minister.

● A statement on March 31 by Mr Vyacheslav Kostikov, the presidential press secretary, that Mr Yeltsin would not be ready to sign the Nato-inspired "Partnership for Peace" plan for six or seven months – which was flatly denied the next day by Mr Kozyrev, saying it would be signed later this month.

● The publication last month of a "coup plot" caused investigations of top ministers and is supposed to be the subject of continuing investigations.

The disarray becomes more obvious as pressure increases on the Russian president.

The Federation Council, or parliament's upper house, refused on Wednesday to confirm the resignation of Mr Alexander Kazannik, who left his post as state prosecutor in February in protest against pressure from Mr Yeltsin not to agree to the freeing of those jailed for their part in the parliamentary coup last October.

Mr Yeltsin says he will continue to regard Mr Alexei Ilyushenko as the acting state procurator, while the upper house points to the clause in the new constitution which gives it the right to appoint and release prosecutors.

The confusion over the bases came when Tass put out a statement on Wednesday that the president had signed a decree on the establishment of military bases, including in Latvia. The Latvian government immediately went into emergency session, and a statement saying that the decree was in "sharp contradiction" to agreements between Russia and the Baltic state was read out on TV by Mr Georg Andreevs, the Latvian foreign minister.

Yesterday, Mr Kozyrev denied that the decree existed and likened it to the coup plot. He said it was a "provocation".

However, Mr Kostikov said that the decree did exist, but that "technical problems" with its phrasing had given the wrong impression to the Latvians, and that apologies had been made. He said the base referred to was Skrunda, a radar installation which both sides have agreed will be rented by Russia. A similar announcement was made by the defence ministry.

The issue of the withdrawal of Russian troops from the Baltics is a highly emotive one on both sides. The Estonian government yesterday accused Russian negotiators of reneging on their word to withdraw troops from its territory by August 31 – saying Russia had demanded that Estonia pay social security to the ex-servicemen and provide houses for the returnees in Russia.

Shareholders of Russia's 'Independent Oil Company' protesting in Moscow yesterday for the return of their money. Company representatives sold $50m worth of shares then disappeared *Reuter*

Ukraine faces confusion after elections

By Jill Barshay in Kiev

Ukrainians return to the polls on Sunday for the final round of their first post-Soviet parliamentary elections. Judging by the first round of voting last month, turnout will be high despite the fact that precious little clarity is likely to result from the effort.

The voting threatens to usher in a disorderly mix of opposing factions to replace the old guard of red barons and factory bosses.

As in the first round, there will be sharp regional divisions between roughly equal blocs of opposing western nationalists and eastern communists and support for a large non-aligned, amorphous centre. The two most likely results, according to a western diplomat in Kiev, are "a leftist majority if the independents ally with them, or you'll have a Poland with 35 different parties and an absolutely incoherent picture".

As no obvious coalitions have yet begun to form, the composition of the new parliament could be a recipe for legislative deadlock on critical issues, from nuclear weapons and market reforms to alignments with Russia and the west. Of the 79 MPs who have already won their seats outright, their political orientations break down into neat thirds: 27 Communists and Socialist victors from Russian-oriented east Ukraine; 24 national-democrats and market reformers from west Ukraine; and 28 non-aligned independents.

In choosing among the more than 700 candidates competing this weekend to fill the 450-seat parliament, Ukrainians will be faced with very different choices. In the west, nationalist-democrats, who strongly support Ukrainian statehood as a part of Europe proper, are largely competing against each other. The handful of ultra-nationalist contenders are more preoccupied with creating a centralised, unified state for "Ukrainians only" than with the economy.

In the east and centre, communists, who would like to resurrect the old Soviet Union, are running against pro-Russian centrists supporting economic union of the Moscow-led Commonwealth of Independent States. In 12 districts within the ailing coal mining region of Donetsk, communists are directly competing against one another. The regionalisation of politics is a measure of the lack of a national vision. "There is no clear national consensus and (President Leonid) Kravchuk has provided no leadership on this," said the western diplomat.

Nevertheless, the continued surprise of these elections has been the large voter turnout. This has made it probably impossible for Mr Kravchuk to declare the elections invalid and rule by presidential decree, as he has said he wanted to.

After the parliament is elected, the main issue on the national agenda will be whether early presidential elections will take place in June as agreed, or if the unpopular Mr Kravchuk will be successful in his attempt to postpone them and stay in power to 1996.

Tension is rising in Crimea, the Ukrainian region with a Russian majority. The peninsula's president has sharply attacked Mr Leonid Kravchuk, the Ukrainian president, and reports in Moscow speak of more Ukrainian troops being moved into the area, writes John Lloyd.

Mr Yuri Meshkov, elected as head of the Crimean "state" on a ticket of closer union with Russia, said in a statement read on TV on Wednesday night that "Ukraine is being led by the most dangerous government . . . in Europe". An apparently well-sourced report in the Moscow daily, Sevodnya, yesterday claimed that extra troops and intelligence officers were being drafted in to bring the strength of Ukrainian divisions there to over 50,000.

Irish rail strike looms over plan to modernise

By Tim Coone in Dublin

A national rail strike is looming in Ireland in a dispute over modernisation and working practices. The country's main rail union yesterday recommended that its members take strike action to protest against the plan.

Irish Rail, the state-run rail company, is currently losing more than I£70m (£68m) a year. Its management wants to introduce radical changes in outmoded working practices, introduce modern and more powerful locomotives and rolling stock, one-man train operations, and new ticketing and signalling systems.

It is estimated that I£800m needs to be spent on the Irish rail network to bring it up to modern EU standards. I£275m is earmarked to be invested up to the end of the decade with the assistance of EU structural funds.

Some three years of negotiations between management and unions have failed to produce an agreement, however, and the proposals finally put to the company's 5,000 staff were rejected by the majority of them last month.

Last week, the company decided to push ahead with its plans and began suspending staff who refused to participate in training programmes for the introduction of new technology.

Mr Tony Tobin, the senior negotiator for SIPTU, the main trade union involved in the dispute, blamed the management. "We believe there is still ground to be made by sitting round the table, but management have not used all the labour relations machinery available."

A management spokesman acknowledged this was the case, but said: "The last agreement took 18 months of talks. We have now sat through 14 Labour court conciliations and the proposals have been rejected by the unions. If we don't kick-start this programme, things will just drift and we could lose some of the European funds."

Staff were being balloted on a strike yesterday and the results are expected early next week. If approved, a stoppage would follow seven days later.

Irish Rail carries 25m passengers a year and 3.3m tons of freight. In addition to disruptions for passengers, the principal cargoes that will be delayed by a strike are beer, cement, chemicals, mineral ores and concentrates and peat, around 85 per cent of which is import-export business.

Bosnian city divided by fear

Edward Mortimer and Laura Silber report on Mostar's uneasy peace

Mr Mehmet Muratovic shook with sobs as he walked from Moslem-held eastern Mostar towards his four-year-old grandson whom he had not seen in nearly a year although they had been separated only by a few streets of shattered buildings.

It was 10 am yesterday in the no man's land separating the Moslem and Croat-held parts of Mostar, the regional capital of southern Bosnia-Hercegovina, which until six weeks ago had witnessed some of the most ruthless fighting of the Bosnian war.

In May last year the Bosnian Croats, until then allied with the Moslem-led Bosnian government against the Serbs, stepped up their drive to form their own ethnically pure Croat state, of which Mostar was to be the capital.

But government forces dug in on the east bank of the River Neretva, and managed to hold a strip of the city centre on the west bank, despite the continuous Croat shelling which destroyed all of Mostar's bridges, including the historic 16th century one which gave the city its name.

But thanks to the agreement, signed in Washington on March 1, the fighting has now stopped.

Yesterday's tearful reunion of 25 divided families, the first of its kind, was a small step towards the federation which Moslem and Croats have agreed, under strong US pressure, to establish. The Muratovics were among carefully sifted residents of each side who were allowed a two-hour meeting with relatives in a UN tent, encircled by barbed wire.

No man of military age could be included and no Bosnian citizen was allowed actually to cross from one side to the other. Although under the agreement, Moslems and Croats are now supposed to be allies and fellow citizens, the Croat authorities insisted on these stringent rules.

Peering furtively from the ruins of an apartment block on the eastern side of Mostar, the nearest he was allowed, a Bosnian soldier gestured at his elderly mother to hold back her tears

Peering furtively from the ruins of an apartment block on the eastern side – the nearest he was allowed – a Bosnian soldier gestured at his elderly mother to hold back her tears. Until one month ago, Croat forces were still rounding up Moslems living in western Mostar, firing on them as they were expelled across frontlines. Possibly for fear of suffering a similar fate, six western Mostar residents who had obtained permission for the visit yesterday failed to show up, causing evident distress for their relatives who waited for them in vain.

Only those named on a pre-approved list were allowed to take part in the visit. Even small children had to be subjected to a careful body search by UN police.

The inhabitants of eastern Mostar looked thinner and wearier than their relatives from the opposite bank. Owing to the Croat siege, the eastern side has been without water and electricity since last summer. Restoring utilities to the city is the most urgent task facing Mr Hans Koschnick, the former mayor of the German port of Bremen, who has been name by the EU as interim administrator of the city, an arrangement which is to last two years under the terms of the Washington agreement. Mr Koschnick, a social democrat, is expected to arrive on April 18.

Commander Esad Humo, who headed the defence of the mainly-Moslem eastern bank, said the last time he stood at that devastated spot was a year ago, when under enemy fire, he drove a lorry to form a frontline barrier. The families had to make their way around the rusted remains of this lorry, loaded with rubble from which thistles and spring flowers had now sprouted.

General Sir Michael Rose, commander of UN forces in Bosnia, is due in Mostar today – his first visit since he arrived in the country in January. "It's six weeks too late in my opinion," said British brigadier Jerry Hulme, head of the regional office of the UN High Commissioner for Refugees. But, he added: "I am looking forward to seeing how my old pupil is getting on." (Brig Hulme was formerly an instructor at the Staff College, Camberley).

Until now, Gen Rose has focused mainly on the conflict between Moslems and Serbs, elsewhere in the country. Yesterday he was caught up with peace moves involving Serb and Moslem commanders near Sarajevo airport.

Brigadier Hulme is concentrating on making the family reunions in Mostar a daily occurrence.

That will go on until the two sides feel confident enough to restore free movement throughout the city, he said, as he walked back to the east bank, across the mangled remains of a bridge installed a year ago to replace one destroyed by the Serb-dominated Yugoslav Army when the war erupted in 1992.

Premier blamed for run on escudo

By Peter Wise in Lisbon

Portugal's prime minister, Mr Anibal Cavaco Silva, was being blamed yesterday for provoking an attack on the escudo by speculators. Analysts said the speculation would either significantly weaken the currency or delay economic recovery by forcing up interest rates.

Efforts by the Bank of Portugal to protect the escudo yesterday pushed up overnight interbank money market rates to 100 per cent from about 10 per cent before the currency crisis began 10 days earlier. Dealers warned the turmoil on Portugal's foreign exchange and money markets was likely to continue.

The central bank measures lifted the escudo to Es101.2 to the D-Mark yesterday from a low of Es104.3 on March 30 but at the cost of threatening the government's policy of cutting interests rates to help the economy move out of recession.

"The monetary authorities are faced with a choice between allowing the escudo to weaken or sacrificing their declared policy of lowering interest rates to stimulate investment and economic growth," said Mr Joaquim Gomes, an analyst with Midas Corretora, a Lisbon broker.

Mr Cavaco Silva was widely blamed for triggering the attack on the escudo by forecasting that inflation would fall to between 4.5 and 5 per cent in 1994, from 6.3 per last year, and that the central bank's money market absorption rate could be lowered 200 basis points to 7 per cent.

"The markets took the prime minister's forecast as a clear policy statement on interest rates but found his inflation forecast over-optimistic," said a Lisbon-based foreign exchange dealer. "Portuguese, Spanish and British banks began to speculate massively over the prospect of a weaker escudo."

The same perceived rift between a government apparently willing to sacrifice the escudo to help kick-start the economy and a central bank firmly committed to exchange-rate stability helped provoke two devaluations of the escudo during the European currency crises of 1993.

Dealers said the central bank had also fuelled speculation by allowing the escudo to become the weakest currency in the exchange rate mechanism of the European Monetary System, when it had previously always maintained it above the peseta.

The Bank of Portugal began defending the currency last week by spending massively from its foreign currency reserves to buy escudos, taking the unusual step of officially announcing its intervention. As a result, the escudo began to recover against the D-Mark and the central bank changed its tactics by increasing its money market intervention rates as banks sought to move back into escudos.

The central bank has been injecting about Es400bn a day into the money markets this week at rates of 13-14 per cent, compared with 10 per cent previously – but only for banks constituting obligatory reserves. Non-resident banks wanting to move back into escudos are being heavily penalised by having to pay 40-100 per cent interest for funds on the interbank market.

Mr Miguel Namaorado Rosa, chief economist with Banco Comercial Portugues, forecast the escudo would shortly move back to its pre-crisis level of about Es102.5 to the D-Mark and that short-term interest rates would also gradually decrease to their previous level.

But although the escudo may recover, analysts agreed that by showing such optimism over interest rates, the prime minister had ensured that no reduction could now take place and had consequently damaged prospects for recovery.

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EUROPEAN NEWS DIGEST

Italy's feuding victors meet

Italy's Northern League and the neo-fascist National Alliance – members of the right-wing alliance which won last week's election – held a surprise meeting yesterday to discuss federalism, the principal issue which divides them. Senior League politicians said Mr Umberto Bossi, leader of the federalist League, and Mr Gianfranco Fini, secretary of the National Alliance, did not talk about the post-election political crisis. This week Mr Silvio Berlusconi, leader of Forza Italia, the third member of the pact, suspended talks with his squabbling allies on forming a government. He will wait for Italy's president to name a prime minister later this month before renewing negotiations. The League said yesterday's meeting was a positive step, if only because the National Alliance – which favours a more centralised state – had agreed to discuss federalism. Mr Fini, however, said federalism was only acceptable as part of a presidential regime. *Andrew Hill, Milan*

Dutch millionaire is cleared

The Netherlands' first insider-trading trial ended yesterday with millionaire industrialist Mr Joep van den Nieuwenhuyzen cleared of all charges over the sale of shares in HCS Technology in 1991. The judgment was a blow to the Justice Ministry which made the case a key test of the five-year-old insider-dealing law. Mr Van den Nieuwenhuyzen, majority owner of the Begemann industrial group, was accused with two associates, Mr Leon Melchior and Mr Eric Albada Jelgersma, of selling shares to drive down HCS's share price. The prosecution alleged they would then have been able to participate more cheaply in a share placing they knew HCS planned to make. But the court said that insider trading had not been proved because it was not obvious which way the HCS shares would move. *Reuter, Amsterdam*

Spain cuts mobile phone tariffs

Spain yesterday cut mobile telephone tariffs by 15 per cent, and delayed the award of a licence to a private cellular operator in move which will boost the market share of the state-owned telephone monopoly ahead of deregulation. The cheaper rates and a 60 per cent cut in subscription charges should boost sales of the analogue TMA cellular service offered by Telefonica, which is 32 per cent government owned, in advance of the introduction of the more modern GSM mobile telephony under a deregulation package. The government had originally promised to seek tenders for two GSM licences – one reserved for Telefonica and the other for a private operator – last year but the bidding terms have now been delayed indefinitely. *Tom Burns, Madrid*

Challenge to union candidate

Rival factions in Spain's General Workers' Union (UGT), the Socialist labour confederation, yesterday joined battle over a new leadership, at a time when the union's fortunes and its relations with the Socialist government are at a low ebb. A little-known unionist from Andalucia, Mr Cándido Méndez, appeared well placed to take over the leadership at the end of the union's four-day congress on Sunday, as the chosen successor of the veteran Mr Nicolás Redondo. However, Mr Mendez faces a challenge from the more combative Mr Manuel Fernández, head of the UGT's powerful metalworkers' federation, who is strongly supported in the industrial and mining regions of northern Spain. *David White, Madrid*

Strikers bring Paris to standstill

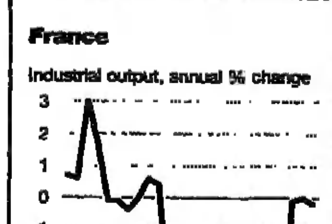
Strikers in Paris yesterday brought the metro, bus and suburban railway systems to a virtual halt and caused massive traffic jams. The morning rush-hour saw tailbacks totalling 230km, and hundreds trying to cram on to the few trains running. Strikers were protesting against the planned transfer of responsibility for the RATP metro/bus and SNCF suburban railway systems from the central government, which subsidises them by FFr5bn a year, to the Ile-de-France region, comprising Paris and the surrounding area. Ile-de-France said yesterday there was no question of privatising the public transport system, but workers fear it will introduce competitive tenders, demand productivity increases and raise fares to replace the government subsidy. *David Buchan, Paris*

Walesa vetoes wage control law

Poland's centre-left ruling coalition yesterday suffered a setback in a political tug of war with President Lech Walesa when it failed to muster the two-thirds majority needed to overrule the head of state's veto on a wage control law. The coalition's trade union deputies, in an effort to see wage rise limits eased, voted with the opposition Solidarity trade union against the government. President Walesa has argued that the law, designed to replace regulations limiting pay rises in state sector enterprises, would enable the government to extend controls to the private sector. The government will propose a modified wage law to parliament today to replace the state sector regulations. *Christopher Bobinski, Warsaw*

ECONOMIC WATCH

French industrial output slips



Source: FT Graphite

French industrial production fell 0.2 per cent in January from December, after falling 1 per cent in December from November, according to seasonally adjusted data from the national statistics office, INSEE. However, output in the building and public works sector, which is not included in the industrial index, rose by 8 per cent in January from December, returning to the levels seen before a sharp drop in December. Manufacturing output rose 1.2 per cent in January, while farm output fell 3.6 per cent and energy production dropped 2.4 per cent. Some figures for output of consumer and semi-finished goods had had to be estimated, Insee said.

■ Unadjusted unemployment in western Germany in March fell by 0.3 per cent, from 2.74m to 2.64m, taking the unemployment rate to 8.5 per cent of the labour force. In eastern Germany, unemployment fell by 0.5 per cent, from 1.3m to 1.26m, or 16.8 per cent. However, seasonally adjusted unemployment in west Germany rose by 20,000 to 2.57m.

■ West German industrial orders rose 3.1 per cent in February, from January, and 3.2 per cent from a year earlier.

■ Denmark's GDP will grow 4 per cent this year in real terms, compared with 1 per cent last year, the Federation of Danish Industries forecast.

هكذا من الاصل

White House quandary on Court post

By Jurek Martin in Washington

The White House is exploring ways of nominating Senator George Mitchell to the Supreme Court while retaining his services for the rest of the political year as Senate majority leader, in a move likely to face political opposition.

Mr Lloyd Cutler, the president's legal counsel, said this was "legally possible" but carefully added: "Whether it would be politically possible, I don't know."

Justice Harry Blackmun, whose retirement was announced on Wednesday, is willing to stay on until the end of September, when the current Court term expires, or until a replacement is installed. Senator Mitchell last month said he would not seek re-election to the Senate in November.

One option is to nominate Mr Mitchell, an indispensable congressional manager of the administration's domestic agenda, but to delay a confirmation vote by the full Senate until the last days of the legislative session in October. Another is to push through his confirmation earlier but for him to delay taking the oath of office as a Justice until after the autumn recess.

An early warning of the arguments against such a move came in a New York Times editorial yesterday, which sniffed that "a delayed appointment... suggests that the Court has a lower priority than the partisan needs of the White House."

It took President Bill Clinton nearly three painful months last year to come forward with the nomination of Mrs Ruth Bader Ginsburg to fill the previous Court vacancy. He is committed to a speedier process this time.

Mr Mitchell, who said he would consider any offer to serve on the Court, should have few problems winning the endorsement of his colleagues, though the right wing will rake over his record. Though a lawyer by profession and a former federal judge, he would be the first practising politician to sit on the bench since the retirement in 1969 of former Chief Justice Earl Warren, who was previously governor of California.

The potential political problems of his nomination, however, means that other candidates are under active consideration. Mr Bruce Babbitt quickly withdrew, saying he wanted to remain as secretary of the interior, but Judge Jose Cabranes from Connecticut and Mr Drew Days, now the solicitor general, have emerged as leading alternatives.

Both have excellent legal reputations and both would add the ethnic diversity to the Court that Mr Clinton has pursued in other appointments. Judge Cabranes is of Hispanic origin, hitherto unrepresented on the highest bench, while Mr Days, previously law professor at Yale, is black and would balance the conservative judicial opinions of Justice Clarence Thomas.

A third female Justice also remains a possibility, to join Justices Ginsburg and Sandra Day O'Connor. The New York Times editorial yesterday particularly commended Ms Judith Kaye, chief New York State judge.

Menem set for second term in Argentina

Sunday's poll is likely to pave way for necessary change in country's constitution, writes John Barham

Argentina's President Carlos Menem is set to be the main beneficiary of next Sunday's elections for a constituent assembly to rewrite the country's 1853 constitution. The principal item on that assembly's agenda is to eliminate a clause forbidding incumbent presidents succeeding themselves.

A decisive victory for Mr Menem's Peronist party on Sunday will virtually ensure he fulfils his overriding ambition – winning a second term as president. Polls predict the Peronists will take 43-45 per cent of the vote, crushing the main Radical opposition party, which is expected to get 24-26 per cent.

The outline of the proposed new constitution is already clear. The two parties agreed the main elements in in Congress last December and limited the assembly's deliberations but barring amendments not mentioned in the resolution.

In addition to allowing the re-election of the incumbent president, the term of office is to be reduced from the present six to four years. If Mr Menem wins next year's presidential elections, which looks certain at the moment, he will govern Argentina until 1999, when he will be 69.

In other reforms, part of the president's duties will be carried out by a cabinet chief, a sort of prime minister who can be removed by Congress with a simple majority vote. The opposition hopes this will reduce the president's powers, but Mr Menem has warned he will not cede significant powers.

The 48-member Senate will be increased by half and the 24 new seats allocated to the opposition.

The president's right to rule by decree will be restricted. He will be forbidden from issuing them on tax, criminal law or electoral issues.

A council of jurists will select judges and oversee management of the judiciary. At present, judges are selected by the executive and approved by the Senate.

The supreme court is responsible for the management of the judiciary. This is intended to strengthen the court's independence.

The opposition will appoint the head of the national audit bureau, which monitors government spending, and it will be subordinated to Congress. The current, toothless audit bureau is part of the executive.

The constitutional reform is a triumph for Mr Menem's formidable political skills. He needed the backing of his old rival, Mr Raúl Alfonsin, the former president and now Radical leader, to win the two-thirds majority vote in Congress to start the reform process.

He achieved this by threatening to call a plebiscite last November. Mr Alfonsin feared defeat would destroy the Radicals and divide the country. He decided to open secret negotiations with Mr Menem but demanded, and won, a purge of supreme court justices as a gesture of good faith.

Argentina has a tradition of strong leaders. Voters, content to keep a successful government in office, see no alternative to Mr Menem

Mr Menem has a positive poll rating of 47 per cent, despite growing economic hardship and widespread disgust at government corruption. Argentina has a tradition of strong leaders and voters see no alternative to Mr Menem.

Furthermore, they are content to see a successful government continue in office. However, the elections have aroused scant interest. Pollsters are predicting the lowest voter turnout since the 1980s.

Mr Menem has become Argentina's strongest leader since Juan Péron was president in 1946-55. He has amassed greater personal power than the nine generals who ran the country intermittently between Péron's fall and the return of civilian rule in 1983.

However, Mr Menem owes much of his popularity to the successful market-oriented policies if his economy minister, Mr Domingo Cavallo. The Radicals' ineptitude and the strong Peronist party machine have also helped him.

The new constitution promises a continuation of "Menemismo", rather than the creation of strong, independent institutions Argentina needs to consolidate its economic reforms.

"In the short and medium term there will be no change in the accumulation of power in Menem," says Mr Rosendo Fraga, a political analyst. Key amendments, such as reform of the judiciary, require passage of enabling legislation through Congress, which is controlled by the government, he points out.

Menem: positive poll rating of 47 per cent Reuter

IMF raises its growth forecast for US economy

The International Monetary Fund has sharply raised its growth forecast for the US economy this year amid gathering signs of US economic strength, according to international monetary sources, Reuter reports from Washington.

But the Fund, in a draft version of its semi-annual World Economic Outlook, has cut its growth forecasts for most other big industrial nations, as Japanese and continental European economies have been slow to revive.

The sources, who declined to be named, said the IMF now expects the US economy to show growth of some 3.8 per cent this year. That compares with the 2.6 per cent rate foreseen by the Fund just last September and well above the official Clinton administration forecast of 3 per cent.

The new forecast partly reflects a surge in US growth late last year that has carried over into 1994. The US economy soared 7 per cent in the final quarter of last year, its fastest pace in nearly 10 years.

However, the IMF now expects the Japanese economy to grow by a meagre 0.7 per cent this year, instead of expanding by 2 per cent, as it forecast in September. It believes that Japan may need to take further action to pump up its economy.

The Fund has also reduced its growth forecasts for most European countries in the Group of Seven, adding that some may need to cut interest rates further to boost their economies.

The IMF now expects Germany's economy to expand by 0.8 per cent this year, instead of by 1.2 per cent, Britain's by 2.5 per cent, rather than 2.8 per cent, and Italy's by 1.1 per cent, instead of 1.7 per cent.

The growth forecast for France was left unchanged at 1.1 per cent, while that for Canada was trimmed to 3.5 per cent from 3.8 per cent.

The forecasts, which are still subject to last minute revisions, are due to be made public on April 20.

Mexican says he acted alone in assassination

By Damian Fraser in Mexico City

The confessed assassin of Mr Luis Donaldo Colosio, the presidential candidate of Mexico's governing party, has claimed he acted alone and not as part of a conspiracy.

Mr Mario Aburto denied the special prosecutor's account that he conspired with six other men to assassinate Mr Colosio at a Tijuana campaign rally last month. He said he did not know the other men charged with the murder, according to testimony released by lawyers.

Mr Aburto's statement adds to pressure on the special prosecutor to release more evidence implicating the other six suspects, and to find the people who hired them.

So far the authorities have largely based their suspicions on a video and photographs that appear to show the suspects helping Mr Aburto gain access to Mr Colosio, witnesses who saw the suspects talking together before the crime, and some inconsistencies in their testimonies.

An official familiar with the investigations said Mr Aburto's statements did not surprise the prosecutors, and that under the circumstances it was expected that Mr Aburto would keep silent.

The prosecutor's conclusion that Mr Colosio was the victim of an organised plot has led to wild speculation over who may have ordered his killing. Press speculation has centred on members of Mr Colosio's own party, drug traffickers, or unknown subversive political groups.

Three of the men charged by the Attorney-General's Office were hired by Mr Rodolfo Rivapalacio, a local official of the ruling Institutional Revolutionary Party, to control crowds at the campaign rally in Tijuana where Mr Colosio was killed. Mr Rivapalacio has been charged with indirect involvement in Mr Colosio's killing. A fifth man has been detained, and authorities are looking for the sixth.

Canberra sees jobless rate of less than 10%

By Emilia Tagaza in Melbourne

Australia is forecasting a fall in its unemployment rate to below 10 per cent by the end of this year.

Mr Simon Crean, employment minister, made the prediction following the release yesterday of official statistics showing unemployment rate dropping to 10.3 per cent in March, the lowest monthly figure in two-and-a-half years, from 10.6 per cent the previous month.

This is the seventh consecutive month Australia has recorded growth in employment, with nearly 160,000 jobs created since August last year.

The release of the figures coincided with the publication of a report by the Organisation for Economic Co-operation and Development (OECD), which says that Australia's unemployment rate will remain at around 10 per cent for another two years.

Mr Crean said OECD's view of Australian jobs was based on surveys conducted in August last year when unemployment rate was above 11 per cent. The sharp turnround in December made the report look too pessimistic.

The report recommends further labour market reform, suggesting that Australia should "make a decisive break with the award system", in which wages are centrally negotiated between unions, employers and the federal government. It also suggests that wages for youth, the long-term unemployed and unskilled job seekers may be too high.

Market analysts are cautious about the jobless trend. The so-called participation rate, which reflects the number of people actively seeking jobs, has remained flat during the last three months. The rate is bound to rise again as the economy recovers, thus getting the unemployment rate to less than 10 per cent more difficult.

While the OECD is not very optimistic about jobs, it predicts the Australian economy will grow 3.5 per cent to 4 per cent through 1994 and 1995, with only a slight rise in inflation. The economy registered 4 per cent growth in 1993.

The OECD also predicts a much-awaited recovery in business investment. It rules out huge increases in current account deficits in the short term.

The report gives credit to the Labor government's moves to open the economy to international competition. It praises the medium term plan to reduce the budget deficit to 1 per cent of GDP gross domestic product by 1996-97.

Rwanda PM and UN team die in rampage

By Leslie Crawford in Nairobi and Agencies in Kigali

A spate of murder and pillaging in Rwanda yesterday claimed the lives of Ms Agathe Uwilingiyimana, the prime minister, as well as three Belgians acting as military observers for the United Nations.

The murders follow the assassination on Wednesday night of Gen Juvenal Habyarimana, president of the impoverished east African country.

A UN official in the capital Kigali said the premier was killed near the presidential palace.

UN headquarters in New York said a number of other observers in the UN Assistance Mission to Rwanda (Unamir) were missing.

Gen Habyarimana and President Cyprien Ntaryamira of neighbouring Burundi were both killed when their aircraft was shot down as it was preparing to land in Kigali. The presidents were flying back from regional peace talks in Tanzania.

Two other Burundi ministers, five senior Rwandan officials including the army chief of staff and the French crew of the presidential jet were also believed to have died on the aircraft.

The killings have derailed Rwanda's UN-sponsored peace process, already under severe strain. A three-year civil war waged by the rebel Rwandan Patriotic Front (RPF) ended with a peace agreement last year. But the president, who took power in a 1973 coup, had angered much of the population by delaying the formation of a national government which included a power-sharing agreement with the RPF.

Even before Gen Habyarimana's assassination, Rwanda was tense. Two government ministers had been hacked to death. The bankrupt government was weighed down by a drought and 400,000 refugees from tribal killings in neighbouring Burundi.

Gen Habyarimana's death has left a power vacuum in Rwanda. Army troops, presidential guards and gendarmes were yesterday reported to have gone on the rampage in Kigali. Residents said they could hear sporadic gunfire and mortar bombs exploding.

The UN headquarters in Kigali was reported to have come under mortar fire. The world body has 2,500 UN peacekeepers stationed in Rwanda. The turmoil in Rwanda has spelled another blow to the beleaguered UN peacekeeping missions in Africa.

In Nairobi Mr Habi Mana, the Rwandan ambassador, blamed the killings on the rebel RPF. "The plane was blown up by a Soviet-made Sam-7 missile, which have been used by the RPF in the past. The Rwandese army has no Soviet military equipment," he said.

The RPF denied it was involved in the attack. "The plane was shot down from the airport base, which is controlled by the gendarmerie. The area is heavily guarded and totally out of bounds to the RPF," Mr Paul Dusaidi of RPF said in New York.

Diplomats believe Gen Habyarimana was the victim of a power struggle between rival military forces.

Burundi was reported quiet yesterday, despite the loss of its second president from the Hutu tribe in less than six months. President Ntaryamira had been appointed in January to replace Mr Melchior Ndadaye, Burundi's first democratically elected president, who was murdered after less than 100 days in office.

Mr Ndadaye's assassination by Tutsi paratroops triggered a bloodbath in Burundi. In Rwanda, the killing of a Hutu president was used as an excuse to delay the country's slow march to democracy. President Habyarimana, also a Hutu, feared sharing power with the Tutsi-led RPF.

Remote, populous and poor

RWANDA

Area and people

26,340 sq km (10,170 sq m)
8.2m population (1992), of which:
About 85% are Hutu, a farming people, with rest mainly Tutsi, semi-nomadic herdsmen, plus some Twa, a group related to Pygmy people of Zaire

120,000 live in the capital Kigali. Most Rwandans live in countryside as subsistence farmers in one of world's most densely populated areas: 304 per sq km

Adult literacy 50% (average of 40 low-income countries 40%)

The economy

One of world's poorest countries:
GNP $1.6bn (1992)
GNP per capita $270 (1991; low-income country average $350
Exports $142.7m (1992); main cash crop coffee, which accounts for 80% of export earnings.

External debt $873.3m (1992); total debt as % of GDP 55.4% (low-income country average 45.6%)

Rwanda and IMF announced structural adjustment programme in 1990 but implementation hindered by rebel invasion

BURUNDI

Area and people

27,830 sq km (10,750 sq m)
6.0m population (1992), of which:
Like Rwanda, about 85% are Hutu, with the rest mainly Tutsi, plus some Twa

180,000 live in the capital Bujumbura and 15,000 in Gitega. Like Rwandans, most live on small farms: 210 per sq km

Adult literacy 50%

The economy

Also one of world's poorest countries:
GNP $1.1bn (1992)
GNP per capita $210 (1991)
Exports $99m (1992); main export coffee; trying to diversify by increasing tea output and horticultural exports

External debt $1,023m (1992); total debt as % of GDP 99.3%

Burundi embarked on World Bank structural adjustment programme in 1986, liberalising trade and prices

Source: World Bank, Reuter and FT estimates

Israelis relive Holocaust fears

By Julian Ozanne

Israelis stand by their cars in Jerusalem's morning traffic for the two-minute silence marking Holocaust Remembrance Day *AP*

For many Israelis yesterday, the annual remembrance of the 6m Jewish victims of the Nazi Holocaust had a special significance. Wednesday's killing of seven Jews and the threat by the extremist Islamic Hamas movement to step up "real war" against Zionists made the fears of some more real.

"It is a day we really feel the Holocaust is not the past but the present, that it could be the destiny of this nation," said Dr Ruth Firer, a specialist in the teaching of the Holocaust in Israeli schools. "Emotionally, every time violent events against Jews happen like this, all our traumas and fears of survival come up."

In a Holocaust memorial speech on Wednesday, President Ezer Weizman honoured the victims of a suicide car-bomb in the northern Israeli town of Afula.

"Today, the eve of Holocaust and Heroism Remembrance Day, we paid a heavy price because we are Jews, for our desire to live peaceful and independent lives in the land of Israel. The historic cycle of blood continues."

For two minutes at 10am yesterday, Israel came to an eerie standstill. At the sound of sirens, drivers stopped their vehicles in the middle of the streets, switched off their engines and got out of their cars. Along the pavements Israelis halted, stood to attention and bowed their heads in solemn and frozen silence.

Nearly half a century after the end of the second world war, Jews remembered the most psychologically powerful event in their history and the most important driving force behind the creation of the state of Israel in 1948.

"It's very important to remember and honour those who died," said Ms Tali Gil, 21, who has just completed military service, after the sirens ended in Jerusalem. "It reminds us that it could happen again to the Jews."

During the 24 hours' remembrance, government officials broke off peace talks with Palestinians in Cairo to attend memorial events back home. Bars and restaurants closed on Wednesday night. National and cable TV broadcast only Holocaust films and documentaries.

The respected Hebrew newspaper Ha'aretz criticised the German embassy on yesterday's front page for throwing a party the previous evening honouring a visiting minister. Ha'aretz said the garden was lit up in colour and after the meal guests drank and laughed on the balcony.

For some Jews, the suffering of the Holocaust is a justification for the Israeli repression of the Palestinians.

"If we had not had the holocaust we could not have thrown the Arabs out across the river to Jordan," said Mr Ronnie Iloz, a shopkeeper.

Others criticise the way right-wing politicians frequently exploit the Holocaust and compare the Arabs to the Nazis in rhetoric depicting Jews as victims surrounded by hostile forces.

"We have to be very careful not to let the holocaust control our lives, because we may lose our ability to change, to take risks and go through the peace process," said Dr Firer. "We are now taking the biggest risk the Jewish nation has taken in modern times, but politicians use the Holocaust to terrify the people. We have to free ourselves from this trauma or we won't be able to take this risk and go to the future with Arabs, hoping the peace has a real chance."

Global awareness of the Holocaust was lifted by the film Schindler's List, which is playing to packed houses in Israel, and the opening last year of the Holocaust museum in Washington has also raised the debate about the way Jews see themselves, especially in the Diaspora.

Mr Eric Silver, an Israeli journalist and author, says: "The Holocaust gives a negative image of the Jew as a helpless victim and builds up Jewish paranoia. This is dangerous and unhealthy rather than identifying with the positive aspects of being Jewish."

The other question is whether the memories of Holocaust survivors are still strong enough to be relevant. The recent release of Mr John Demjanjuk, wrongly identified by several survivors as Ivan the Terrible of the Treblinka death camp, raised calls in Israel to forget the past and may have signalled the end of an era of effective Nazi hunting.

Powers of KwaZulu under fire

By Michael Holman and Patti Waldmeir in Johannesburg

Prospects for a negotiated resolution of South Africa's political crisis receded last night after the African National Congress called for withdrawal of the powers of the KwaZulu "homeland" government.

There were signs of a further clampdown yesterday when troops of the newly-formed National Peacekeeping Force were deployed for the first time in townships near Johannesburg. A BBC correspondent saw 40 of the distinctive light blue vehicles of the force move into East Rand townships.

The force was formed two months ago by integrating elements of the South African Defence Force, the ANC's armed wing Umkhonto we Sizwe, and the armies of black homelands, and has been plagued by ill discipline.

The ANC said it would "not surrender to attempts to blackmail the people of South Africa into accepting postponement of the elections through the creation of a climate of rising violence and terror."

The statement will do little to improve the mood at today's meeting between President F.W. de Klerk, ANC leader Mr Nelson Mandela, Chief Mangosuthu Buthelezi and Zulu King Goodwill Zwelithini.

Nuclear warning stirs concern

Korean worries mount in Japan

By Michiyo Nakamoto in Tokyo

The building of tension on the Korean peninsula and the possibility that North Korea is developing nuclear weapons have stirred deep private concerns in Japan that are masked by a public calm.

Reports of a North Korean warning that if the country had a nuclear weapon, it would be aimed at Japan rather than at South Korea or the US, have produced either silence or cryptic responses from Japanese government officials and the media.

Reasons for the uneasy silence are the sensitivities towards a large Korean community in Japan and a reliance on the protective shield of US forces that makes it difficult for many Japanese to discuss openly the possibility of a military crisis on their doorstep.

"It is a very sensitive issue," Ms Mayumi Moriyama, member of Japan's upper house and a former chief cabinet secretary, said earlier this week.

"As we are much closer and have a very close relationship with them, it's very difficult to discuss it openly."

Bureaucrats and politicians alike have been reticent on the subject. The report that North Korea's ambassador to India had stated his country's weapons would be aimed at Japan produced the response that the foreign ministry was trying to confirm the comments.

"We are taking the matter very seriously but we do not want unwittingly to arouse the emotional temperature by making comments," one official said – a standard line by foreign ministry officials.

Officials are avoiding comments that could be interpreted by North Korea as Japanese aggression or that could upset Korean residents in Japan.

North Korean officials claim that they suspect Japan's nuclear motives, but Pyongyang has refused to allow full inspections of its nuclear sites, prompting international concern that it is developing nuclear weapons.

The lack of official Japanese comment has meant that fears of developments on the Korean peninsula and to what extent the country is prepared for the worst have been fed largely on speculation, educated or otherwise.

Japanese newspapers have reported this week that an unnamed government official had commented cryptically on the need to review Japan's defence programme in the light of the North Korean situation.

The Social Democratic party, which is friendly towards North Korea and officially opposed to Japan's self-defence forces, is reportedly considering despatching a team to North Korea.

The SDP is the largest member of the seven-party ruling coalition.

If the Japanese authorities prove themselves capable of handling the current situation with any more ease than they handled the country's much criticised role in the Gulf war, the most surprised will be the Japanese public itself.

India reports 6.7% rise in industry output

Industrial production in India rose 6.7 per cent in December compared with the same month a year earlier, according to figures published yesterday which offered fresh evidence that industry is seeing a steady recovery after two years of stagnation, writes Stefan Wagstyl in New Delhi.

The increase compares with a rise of just 2.4 per cent for the nine months to the end of December, said the government's central statistical organisation. The largest increase was registered by makers of machinery, which had previously suffered the steepest declines in output.

Business welcome but it must be more competitive, Balladur told

China warns French exporters

By Tony Walker in Beijing

Chinese Premier Li Peng yesterday held out little hope a Sino-French political rapprochement would yield early dividends for French companies seeking opportunities in the cut-throat Chinese market.

Mr Li told Mr Edouard Balladur, France's prime minister, that while French business was welcome it must be more competitive.

Mr Balladur's four-day mission to China is aimed at opening a new chapter in relations after the two sides agreed to put behind them a row over French arms sales to Taiwan.

But unlike a high-profile selling mission to China last November by Chancellor Helmut Kohl of Germany, Mr Balladur's aims are more modest and include refurbishing political relations between fellow-permanent members of the United Nations Security Council.

Mr Balladur's arrival in Beijing was overshadowed by a widening international argument over China's detention of Mr Wei Jingsheng, its most prominent dissident, for interrogation over alleged breaches of parole and "new crimes".

The episode has provoked sharp exchanges between Beijing and Washington and further complicated President Bill Clinton's decision, due in the next few months, on renewal of China's low-tariff access to US markets.

China yesterday firmly rebuffed US criticism over Mr Wei's detention, with a foreign ministry spokeswoman saying it was "inappropriate for any foreign country to make irresponsible remarks on this matter". Earlier the State Department said in Washington "the United States very much regrets China has taken this step".

Mr Alain Juppé, France's foreign minister, who is with Mr Balladur in Beijing, in an interview with the French daily Libération, was sharply critical of China's human rights behaviour. China's economic development, he said, would eventually "render the system of repression untenable". He described human rights progress since the June 1989 massacre of pro-democracy activists as "insufficient".

French business had hoped Mr Balladur's mission would ease market access after a recent chill prompted by a 1992 deal by the previous French government to allow the sale of 60 Mirage fighters to Taiwan.

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Protesters die in Dacca riots

Thousands of protesters throwing rocks and crude bombs tried to occupy the main Bangladeshi government building yesterday, but were driven off by teargas and rubber bullets fired by police, AP reports from Dhaka.

Police gave no casualty figures but doctors said at least two people were killed and 21 injured. The protest was organised by the Awami League, the largest opposition party, to demand the resignation of the three-year-old government of Mrs Khaleda Zia. The next election is due in 1996.

Russians spend $1bn in UAE

Russian tourists who flock to the United Arab Emirates to buy cheap consumer goods spent over $1bn in 1993, Russia's UAE ambassador was quoted yesterday as saying, Reuter reports from Dubai.

Mr Oleg Derkovsky said 250,000 citizens of the Russian Federation visited the UAE in 1993, as well as 200,000 from former Soviet republics.

Disasters cause $11.6bn damage

Natural catastrophes and accidents in 1993 caused insured damage worth $11.6bn worldwide, less than half the record 1992 amount of $26.4bn, according to Swiss Reinsurance, Reuter reports from Zurich.

30,000 people died in the 30 catastrophes in 1993. The largest single event, windstorms in the US in mid-March cost the insurance industry $1.8bn.

Marcos charged

Mrs Imelda Marcos, the Philippines' former first lady, was charged yesterday with embezzling nearly 100m pesos ($3.7m) in government funds 10 years ago, AP reports from Manila.

Indochina's 'golden gate' reaches the outside world

New bridge is a powerful symbol of the region's reintegration into south-east Asia, writes Victor Mallet

To call the new bridge across the Mekong River "the golden gate to Indochina", as does General Chatichai Choonhavan, Thailand's former prime minister, is a pardonable exaggeration.

The "Friendship Bridge" across 600m of muddy water between Thailand and Laos is an unremarkable concrete structure, but the ceremonial opening of the bridge today is a powerful symbol of Indochina's reintegration into south-east Asia.

Built with Australian aid at a cost of $30m (£20.2m), the bridge is the first to span the 2,400km-long stretch of river between the Chinese border and the Mekong Delta of southern Vietnam. It is unlikely to be the last.

A region once notorious for wars, opium-growing and poverty is now eagerly developing trade, industry and tourism as it races to catch up with the other fast-growing economies of Asia.

The bridge linking Vientiane, the capital of landlocked Laos, to the northern Thai town of Nong Khai is only the most visible aspect of this process. Roads, ports, airports and railways are being improved, and it becomes easier by the month to travel in the three countries of Indochina – Vietnam, Cambodia and Laos – and move between them and their Asian neighbours.

"It's a regional bridge," said Mr Michael Mann, Australian ambassador to Laos, during a recent visit to the new bridge. "It links Singapore to Beijing. . .I believe that in ten years' time you'll think nothing of sending a package by trucking company from Kunming (capital of the south-western Chinese province of Yunnan) to Kuala Lumpur."

A bridge across the Mekong near Vientiane was mooted in the 1950s, and the Japanese made the first detailed plans in the 1960s, but the wars between Indochina's communists and the US and its allies made such projects impossible, particularly since the US was using Thailand as a base during the fighting.

Communist victories in 1975 did not bring lasting peace to Indochina. In Cambodia, the extremist Khmer Rouge murdered and starved to death an estimated 1m people, provoking the Vietnamese to invade the country in 1978 to install a new government.

Cambodia's Vietnamese-backed government then had to prosecute a war against Khmer Rouge and royalist guerrillas along the Thai border. Laos, meanwhile, was isolated and forgotten, although rebels based in Thailand continued to harass the communist regime. As recently as 1988, Thailand and Laos fought each other in a border dispute in which hundreds of soldiers were reported killed.

It was only from 1986 onwards that the communist governments of Vietnam and Laos began to reform their economies along free-market lines.

In 1989 Gen Chatichai, who was then prime minister, adopted his policy of transforming Indochina "from a battle field into a market place". Construction of the bridge began in 1991, a month after the signing of the Paris accords that outlined a peace settlement for Cambodia.

Since then, Vietnam and its much smaller neighbour Laos have attracted billions of dollars in foreign investment applications and seen their economies grow at about 8 per cent a year.

The US has allowed the International Monetary Fund and other multilateral organisations to assist Vietnam, and in February Washington finally lifted the US trade embargo against Hanoi that dated back to the Vietnam war.

Cambodia remains the odd man out in Indochina. The United Nations successfully organised an election last year and a coalition government took power, but the Khmer Rouge leaders reneged on their agreement to participate and are still fighting the authorities from their jungle strongholds along the Thai frontier. Foreign investors remain understandably cautious.

Yet even the much-feared Khmer Rouge guerrillas seem unable to resist the wave of economic development sweeping across south-east Asia. Ignoring their own leftist propaganda, they have enthusiastically embraced the free market. They are stripping Cambodia of its assets and selling rubies and logs to Thai traders; they have even sold the forests where they used to hide from government troops. Last month, government forces captured the Khmer Rouge headquarters at Pailin, some eight miles from Thailand.

Faint voices can be heard in Vietnam, Laos and Cambodia warning of the dangers of the kind of obsessive and uncontrolled pursuit of wealth which has transformed Asia's natural environment, destroyed local cultures, encouraged prostitution and corruption, and widened the gap between rich and poor.

There are fears, for example, that property developers will ruin the boulevards of Hanoi, now lined with elegant French colonial villas, and that increased vehicle traffic generated by the bridge will disrupt the peaceful atmosphere of Vientiane, where water buffalo graze in the town centre.

But neither Laos nor Vietnam nor Cambodia have much chance, or desire, to avoid the juggernaut of Asian economic growth. The bridge is a symptom, not a cause, of the increasing integration of Indochina with its neighbours. As Radio Vientiane announced in a recent broadcast: "Laos will finally have a way to connect with the outside world."

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NEWS: WORLD TRADE

UN body's report critical of western help in region

Modest recovery in E Europe foreseen

By Frances Williams in Geneva

The countries of eastern Europe may experience a small economic recovery this year after four years of slump, according to the United Nations Economic Commission for Europe. However, output in Russia and other parts of the former Soviet Union is likely to continue to decline.

In its annual survey of developments in the region, the UN body says aggregate output in eastern Europe could rise by a modest 1 per cent in 1994, the first year of growth since the collapse of the communist system in 1989.

Poland is expected to notch up another year of 4 per cent growth, with more modest gains for Slovenia, the Czech Republic, and possibly Hungary. For other countries in the region, the outlook is for continuing stagnation or further falls in output.

The ECE believes total output in eastern Europe may have fallen by about 3 per cent last year, but this was less than half the 1992 rate of decline.

In Russia and other members of the Commonwealth of Independent States, output plunged on average by some 13 per cent following a 20 per cent drop in 1992. The depression has been greatly intensified by an additional "trade shock" caused by the collapse of trade between CIS members, the ECE says.

The UN body, which groups western and eastern European nations, the US and Canada, has been consistently critical of the way western governments and the main international financial institutions have handled assistance for the process of transition from communist to market economies.

The latest report maintains that western help has been far less than either expected or required, and western finance has flowed mainly to the most successful countries with the highest incomes per head.

Private foreign direct investment into eastern Europe (excluding the CIS) has amounted to less than $10bn since 1990, including flows of about $3.5bn last year.

More than 90 per cent has gone to the Czech Republic, Hungary, Slovenia and Poland, with 80 per cent going to the first two.

Official flows of assistance to eastern Europe totalled some $10.5bn since 1990, the bulk of which has gone to the same four economies, it says. Meanwhile, the CIS republics have attracted negligible amounts of private investment and little official aid.

For the region as a whole, neither the volume nor the co-ordination of international assistance "has... been commensurate with the scale and complexity of the problems to be overcome".

Social hardship in the transition economies, including mounting unemployment, continues to breed a damaging disillusionment with economic reform, the survey adds.

The ECE calls for improved international co-ordination mechanisms to target western assistance within coherent national programmes, combined with more leeway for individual governments to follow political and economic programmes for economic transformation that best suit their countries' needs.

US official seeks to reassure companies over dumping rules

By Nancy Dunne in Washington

US companies were assured yesterday that measures negotiated in the Uruguay Round global trade accord are adequate to deal with dumping.

Mr Jeffrey Garten, US Commerce Department under-secretary, said yesterday that the multilateral dispute settlement system would uphold "well founded" US dumping decisions, while ensuring protection for US exporters from unfair dumping regimes abroad.

The support of companies is vital if the Uruguay Round pact is to win approval in Congress, so Mr Garten, whose responsibilities encompass both the promotion of US exports abroad and the administration of US anti-dumping trade laws at home, sought to reassure them that he is "an ardent supporter of vigorous enforcement" of the US anti-dumping regime.

In a speech to the US Chamber of Commerce, he said the Clinton administration supported "the reasonable concerns of our exporters" about the growing number of foreign dumping regimes. These would be disciplined under the new World Trade Organisation, the successor to the General Agreement on Tariffs and Trade.

Mr Jeffrey Garten: 'Ardent supporter of vigorous enforcement'

"We are drafting implementing language in such a way as to guarantee that our laws are consistent with the letter and spirit of the Gatt Uruguay Round agreement," he said. "We will be reviewing other countries' laws for consistency with the agreement."

Controversy has surrounded the US dumping regime as large exporters find themselves increasingly under siege from "copycat" anti-dumping laws abroad. At the same time, many US companies see the regime as the last defence against cheap imports.

There is pressure for more protective language in the Uruguay Round implementing legislation, which must be approved by Congress. The Labour/Industry Coalition for Trade (LICIT) claimed last month in a report that while Gatt panels reviewing national anti-dumping laws "are instructed to defer to reasonable findings of fact and law of national bodies, it is unclear that there is any way to ensure that they will".

The report said the US failed to achieve a key objective in the Round: strengthening international rules relating to anti-dumping. "In many cases, dumping margins can be expected to decline under the new rules. However, the anti-dumping laws will remain usable by US industries – provided the implementing legislation strengthens US law to the extent permitted under the new agreement."

Japanese groups in Thai steel venture

Thailand's largest cement and building materials conglomerate, Siam Cement, has tentatively agreed to build a steel plant in a joint venture with Nippon Steel and Mitsui & Co of Japan, writes William Barnes in Bangkok.

The $580m (£395m) plant would supply up to 1m tonnes of cold-rolled steel a year by 1997 to Japanese car-makers in Thailand and south-east Asia's booming construction industries. Siam Cement is already setting up a hot-rolled steel factory called Siam Yamato with Mitsui, Yamato Kogyo and Sumitomo Corp.

Siam Cement and its prospective partners appear confident that Thailand's Sahaviriya Steel Industry Co will not be able to make the government enforce a 10-year protective ban on rival domestic competition for its new $504m hot-rolled, cold-rolled and galvanized steel plant.

There is speculation the ban will have to be lifted shortly to comply with the General Agreement on Tariffs and Trade; at least one other group is known to have asked for a steel-making licence.

Marubeni in China computer tie-up

By Michiyo Nakamoto in Tokyo

Marubeni, the Japanese trading house, has agreed a wide-ranging tie-up with a Chinese computer company to sell personal computers and other electronic equipment in China and other parts of Asia.

The deal calls for Marubeni and the Legend Computer Group, one of the three largest PC makers in China, jointly to develop, produce, market and service personal computers, communications equipment and medical analysis systems.

Legend, based in Beijing, produces IBM-compatible PCs while Marubeni is the second largest dealer of Apple PCs and the first in Apple software in Japan.

The Marubeni-Legend tie-up is a bold step by Marubeni to establish itself in the Chinese market at an early stage.

> Unlike Japanese groups, US computer companies have moved quickly into the Chinese market

The two will build up a sales network which will initially be based on Legend's distribution network in Beijing, but which they hope to increase to 200-300 offices throughout China in three years' time.

The joint venture will begin by selling Apple's Macintosh desktop PCs, but gradually expand their range to other PCs as well. The accord also calls for the two to develop Chinese language software which could be marketed to the large Chinese community in other parts of Asia.

In addition, Marubeni is also considering importing Legend's products into Japan once they become more competitive.

Marubeni's move reflects growing Japanese interest in China's PC market, which is expected to take off in the near future. Japanese trading houses in particular are keen to play a role in this market by establishing distribution networks.

US computer companies such as IBM, Compaq and Apple have moved quickly into the Chinese market.

By contrast, Japanese computer manufacturers have been slow to take steps into China, despite the advantage they have of sharing a written language based on ideograms.

NEC, Japan's largest computer maker, sells workstations in China on an individual contract basis and has joint ventures with Chinese companies in pagers, optic fibre cable, semiconductors and telecoms equipment, but does not sell PCs.

Toshiba says that it believes China is a promising market but has no plans to set up an office there yet.

"Are we interested? Yes. But it's just now that the Chinese language systems are coming out," says Mr Mike Beirne at Fujitsu. "There hasn't been a market."

Electricity project to go ahead in India

By Stefan Wagstyl in New Delhi

The promoters of a planned $280m privately owned Indian power station yesterday announced the approval of bank loans for the project. They said it was the first new private sector electricity generating project to secure full financial support.

GVK Industries, a diversified chemicals and property company, said that construction would start in June on the 235MW project at Jegurupadu in Andhra Pradesh.

The company is developing the scheme in partnership with ABB, the European engineering combine, CMS Group, a US energy utilities company, and the Andhra Pradesh state electricity board. The Asian Development Bank and the International Finance Corporation, an arm of the World Bank, are also taking equity stakes.

The project follows two years of Indian government efforts to attract private investment, including foreign capital, into the chronically underfinanced electricity supply industry.

The government hopes the scheme will encourage the promoters of others. The power ministry has received expressions of interest from 75 groups, including 35 foreign companies, of which 22 were from the US, mainly from generating companies.

However, only a handful have signed power purchase agreements – essential pacts between the would-be generator and the customer, usually the state electricity board.

Other private sector schemes at an advanced stage of preparation include plans by Enron, a US energy group, to build a $900m 695MW station at Dhabhol in Maharashtra state, a 420MW scheme for Orissa, promoted by AES, another US generating group, and plans for a 1,000MW plant at Vizag in Andhra Pradesh sponsored by National Power of the UK and the Hindujas, a London-based Indian business family.

OECD Export Credit Rates

THE Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially supported export credits for April 15 to May 14 1994 (March 15 - April 14 1994 in brackets).

D-Mark	6.89 (6.78)
Ecu	6.95 (6.49)
French franc	7.14 (6.72)
Guilder	
up to 5 years	6.85 (6.40)
5 to 8.5 years	7.25 (6.80)
more than 8.5 years	7.90 (7.45)
Italian lira	9.03 (8.38)
Yen	4.20 (4.20)
Peseta	9.57 (8.84)
Sterling	7.83 (7.12)
Swiss franc	5.61 (5.39)
US dollar for credits	
up to 5 years	6.40 (5.83)
5 to 8.5 years	6.94 (6.40)
more than 8.5 years	7.28 (6.72)

These rates are published monthly by the Financial Times, normally in the middle of the month.

A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for more than 120 days.

SDR-based rates of interest are the same for all currencies. For the period from January 15 to July 14 1994, the SDR-based rate will be 5.85 per cent. It replaces the previous rate of 8.85 per cent. The SDR-based rate will again change on July 15 1994.

Far right tries to build on success

By Alan Pike, Social Affairs Correspondent

The far right British National Party, which won its first ever local authority seat in a by-election at Tower Hamlets in September, will contest eight seats in the east London borough in next month's council elections.

BNP candidates will run on the Right For Whites platform which brought the party its success in September. Tower Hamlets has the most decentralised *structure of* any *local* authority with the borough divided into seven largely autonomous neighbourhoods.

The BNP candidates are concentrated in two of the seven - Isle of Dogs and Globe Town - with the party running sufficient candidates to control both if they won. This would put around £40m of expenditure in BNP hands.

The party's September by-election success was in the Isle of Dogs, where it appears to have successfully exploited concerns about housing among the predominantly white population. Since September BNP activists have campaigned hard in the area to consolidate their position. There has been a significant increase in racial *attacks and other racially* motivated incidents in Tower Hamlets since the by-election.

All other seats on the council are currently held by the centrist Liberal Democrats and Labour. The divisions and recriminations in both parties arising out of the BNP's success *are illustrated in yesterday's* nominations for next month's elections.

Mr James Hunt, the Labour candidate who resigned from the party after losing the seat to the BNP, is standing as an Independent on a Putting the Island First platform. Mr Jer*emy Shaw, who resigned from* the Liberal Democrats during an inquiry by the national party which found that some Tower Hamlets' Liberal Democrats leaflets had pandered to racism, is one of several Independent Liberals standing against official Liberal Demo*crat candidates.*

Ceasefire hopes fade in Ulster

Michael Cassell, Tim Coone, and David Owen detail moves on efforts to win lasting peace

Hopes that the Irish Republican Army might react to widespread pressure by extending its three-day ceasefire, which ends at midnight tonight, appear to have been dashed by Mr Gerry Adams, president of Sinn Féin, its political wing.

With the UK prime minister's office at Downing Street yesterday rejecting Mr Adams' latest request for direct talks *and the IRA facing renewed* calls from Dublin, nationalist politicians and churchmen to prolong the ceasefire, the Sinn Féin president said he believed it was "unlikely, even logistically, for the IRA to extend its suspension".

With the ceasefire drawing to an end and fears rising of a return to violence in the province, both sides were engaged in efforts to hold each other responsible for the deadlock in the peace process.

Downing Street last night formally rebuffed the demand from Sinn Féin, the political wing of the IRA, for direct dialogue, denying its claim that the UK government had brought about a stalemate.

But its carefully crafted two *page letter was markedly less* blunt than the curt four-paragraph response it made to a previous letter from Mr Adams in January.

Yesterday's letter, signed by a senior official, said any pause in the movement towards peace was "because of the con*tinuing violence, and Sinn* Féin's failure unequivocally to renounce violence as a means of achieving political ends".

Downing Street also reiterated Mr Major's pledge that the government would be ready to enter preliminary dialogue with Sinn Féin "within three *months" in the event of a per*manent end to violence and a commitment by Sinn Féin to the democratic process.

Mr Albert Reynolds, Irish prime minister, yesterday broke off from his holiday in Cyprus to claim that an extension to the ceasefire was "essential" *if the strong* momentum for peace was to be *maintained.*

His message was repeated in a hard-hitting speech by Mr Dick Spring, Irish foreign minister, who called the IRA ceasefire "pathetically brief" and called for it to be permanently extended.

Mr Spring used a conference in County Kerry, on the Irish west coast, to challenge republican leaders to display "vision and courage to build", rather than to destroy. An extension of the ceasefire would enable a clearing of the air on the clarification issue, whereas a renewal of violence would result in the republican movement being isolated "in a murderous cul-de-sac".

He insisted that the Downing Street declaration remained the only *way forward for* political progress in Northern Ireland.

He told his audience that a renewal of violence would "not appreciably change the basic realities in the declaration". He said Sinn Féin's failure to specify its concerns over the decla*ration had given rise to* "understandable worries" that Sinn Féin's aim is to draw both governments "into a world of verbal mirrors and shifting goal-posts" and to enter political negotiations "on a basis of armed conflict".

Mr Spring also criticised unionist leaders for their "dogmatic refusal" to join talks which he said they should do out of "enlightened self-interest". The unionist community must direct itself towards "the long overdue task of developing the politics of accommodation rather than denial", he said.

Education minister John Patten chats with British businessmen in Kuala Lumpur

Malaysian ban begins to bite into British ambitions

By Kieran Cooke in Kuala Lumpur

Mr John Patten, the UK education secretary, was in Kuala Lumpur this week - the first cabinet minister to visit Malaysia since Dr Mahathir Mohamad, the Malaysian *prime minister, announced* a ban on awarding government contracts to British companies.

The ban, imposed more than six weeks ago, was in retaliation for unfavourable reports about Dr Mahathir and Malaysia which had appeared in the British press.

"I've *been heartened* by the warmth of my reception" said Mr Patten. Despite the bonhomie, there is no sign of Malaysia lifting its ban. British companies are beginning to feel its effects. The most serious blow has been the project to build a new international airport outside Kuala Lumpur.

Ajac, a consortium of BICC, GEC-Marconi, Gammon and Trafalgar House of Britain and Marubeni of Japan, carried out initial planning on the airport - one of southeast Asia's biggest projects priced at between M$9bn (£2.3bn) and M$12bn. Subsequently Ajac was given *the design* and engineering contract for the airport.

Ajac companies had been hoping to win millions of pounds worth of work on the project. But the Malaysian works ministry has disclosed that it is vetting 29 pre-qualification applications to bid for the airport's *construction.* "None of them is British" said the ministry.

John Laing, which is involved in various multi-million pound contracts in Malaysia had put in a preliminary tender for a M$3bn terminal at the airport. It has now with*drawn - apparently* its local and foreign partners had fears that its inclusion could jeopardise their chances of winning the contract.

A similar picture is emerging elsewhere. The British National Grid company was to have participated in a M$1.6bn project to install power transmission lines for Tenaga Nasional, Malaysia's semi-privatised electricity utility. Pressure from local partners is likely to result in National Grid withdrawing.

Recently a group of British oil industry experts gave a *seminar to Petronas, the Malaysian state oil* company. Soon afterwards Petronas announced that British companies would be excluded from all future contracts in Malaysia, including production sharing agreements.

"The longer it goes on, the worse it gets" said one British executive based here. "It seems we are just laying down and being kicked."

As sanctions against British companies begin to bite, others are waiting to snap up business opportunities. Britain had been hoping to win a share of work on a M$4bn programme to equip the Royal Malaysian navy with a new generation of patrol vessels.

Over the past 10 days high powered delegations from France and Sweden have been suggesting collaborative work on the vessels. Similar delegations are due to arrive from Germany and Australia.

Mr Patten will be taking an optimistic message back to London on the educational front. Malaysia needs British assistance if it is to educate enough people and sustain its soaring economic growth. But the outlook for British companies in Malaysia remains grim.

Britain in brief

Istanbul allegation on Polly Peck

The administrators of Polly Peck International – accountants *Mr Richard Stone*, Mr Michael Jordan and Mr Christopher Morris – were served papers by the Turkish public prosecutor's office alleging improper behaviour over a $96,000 payment made by a PPI subsidiary.

An official for the public *prosecutor's* office said the case had been transferred to the criminal court where it is expected to be heard in two months. Mr Stone and Mr Jordan work for Coopers & Lybrand and Mr Morris for Touche Ross.

The move prompted strong protests from other Coopers partners who insisted it was simply part of the "ongoing harassment" by Mr Asil Nadir, the former Polly Peck *chairman, in an effort to* obstruct their efforts.

The payment concerned was one of $96,000 made by A N Graphics, a PPI printing subsidiary to PPI holdings BV, an intermediate holding company within the group. The papers served on the *administrators allege* the payment was improper and a breach of fiduciary duty. However, a statement issued by the accountancy firm yesterday said the payment had been legitimately carried out under Turkish law.

British Gas closes shops

British Gas announced the closure of 187 of its showrooms as part of its wide-ranging restructuring in preparation for losing its monopoly over 18m domestic customers in 1996.

Mr David Brooks, managing director of British Gas Retail, said the shops on the closure list were uneconomic and would be phased out over the next 18 months.

The remaining shops would still constitute the largest gas retail *network in* the UK, he said.

Householders beat VAT

UK householders have paid out *£990m to electricity* companies and British Gas in order to avoid paying value added tax on future fuel bills. People in the south of England have participated far more actively than others in the race to beat the tax collector.

A final count among British Gas and electricity companies by the Financial Times shows that 1.1m power consumers and 500,000 British Gas customers made advance payments *ahead of the* VAT imposition on April 1. The pre-payments will be deprive the Treasury of at least £79m, since the VAT will initially be levied at 8 per cent.

Call for a fairer society

Britain needs to become a fairer society if economic efficiency is to be significantly improved, Mr Gordon Brown, the opposition Labour party's 'shadow' chancellor, is to argue next week.

Mr Brown will use a lecture to set out a vision of a high-skilled Britain in which all forms of privileged discrimination have been removed. This would require a programme of investment and training, including the *creation* of a transnational university for industry, modelled on the Open University.

Dutch treat...

England's cricket counties are set to invite the Netherlands to play in next season's NatWest Trophy competition.

Scotland and Ireland already play in the knockout 36-team tournament but *the Dutch* will be the first from mainland Europe to take part if Friday's ballot of the 18 English first-class teams goes in their favour.

The Netherlands' team, which expects to hear the result of the ballot on Monday, will have to play all its NatWest Trophy games on the road until it switches to playing on natural turf instead of an artificial surface.

Engineering, food support output rise

By Emma Tucker, Economics Staff

HIGHER output from the engineering industries and a rise in food production were the main influences behind the sharp rise in UK manufacturing output between January and February.

The 0.6 per cent month-on-month increase meant that for the second month of the year, manufacturing output remained well above the levels recorded in the second half of 1993.

In the three months to February it rose 0.8 per cent, and was 2 per cent up on the same three months a year ago.

In the three months to February, output of the engineering and allied industries - which has the highest weighting within manufacturing - rose a seasonally adjusted 1.6 per cent to stand 1.8 per cent up on the same three months a year ago.

A particularly strong sugar harvest pushed food, drink and tobacco production up a seasonally adjusted 0.4 per cent in the latest three months, compared with the previous three month period, although it was down 0.2 per cent on the same period a year ago.

Most of the other manufacturing sectors also increased their production levels. Output of wood and wood products - boosted by higher furniture production - grew by 5 per cent, compared with the previous three month period, while output of electrical equipment picked up by 2.8 per cent.

This mainly reflected strong growth in production of computers but also of telephones and related equipment, and domestic electrical goods. Rubber and plastics industries increased their output by 3.7 per cent in the latest three months.

The most notable falls were 2.9 per cent in the coke, mineral oil refining and nuclear fuels industries, 2.2 per cent in the output of non-metallic mineral products - covering a number of products related to the construction industry - and 1.8 per cent in the output of basic metals and metal products.

Oil and gas production surpassed its previous 1987 peak, increasing by 8.2 per cent on the previous three months. Compared with the same three months a year ago, it was 29.9 per cent higher.

Coal production, by contrast, continued to decline, dropping 14.9 per cent in the three months to February, compared with the previous three months, a reflection of the new lower volume contracts negotiated between British coal and electricity board.

Colder than average autumn months, followed by warmer than average winter weather led to a drop in the three-month on three-month comparison for gas and electricity output. It was 6.5 per cent lower than in the previous three months.

Many analysts were encouraged by the strong growth of investment goods. This was the fastest growing market sector. A 1.8 per cent increase in the three months to February - on the previous three months - compares with growth of 0.6 per cent for consumer goods and 0.1 per cent for intermediate goods.

Mr Ian Shepherdson, economist at Midland Global Markets said the rise in investment goods output was "evidence that the recovery is shifting in favour of industry, which is vital if consumer spending slows in the face of tax rises."

● The surge in North Sea oil and gas production which has helped to underpin recent industrial output lifted total UK primary fuel production in the three months to February by 9.4 per cent, according to the Department of Trade and Industry. Oil production in the period was 30.5m tonnes, up 25.8 per cent compared with the same period in 1993.

The Concorde trial for AZT is confirmed: FT writers assess the future for patients and for Wellcome

Effective Aids treatment still out of reach

By Clive Cookson, Science Editor

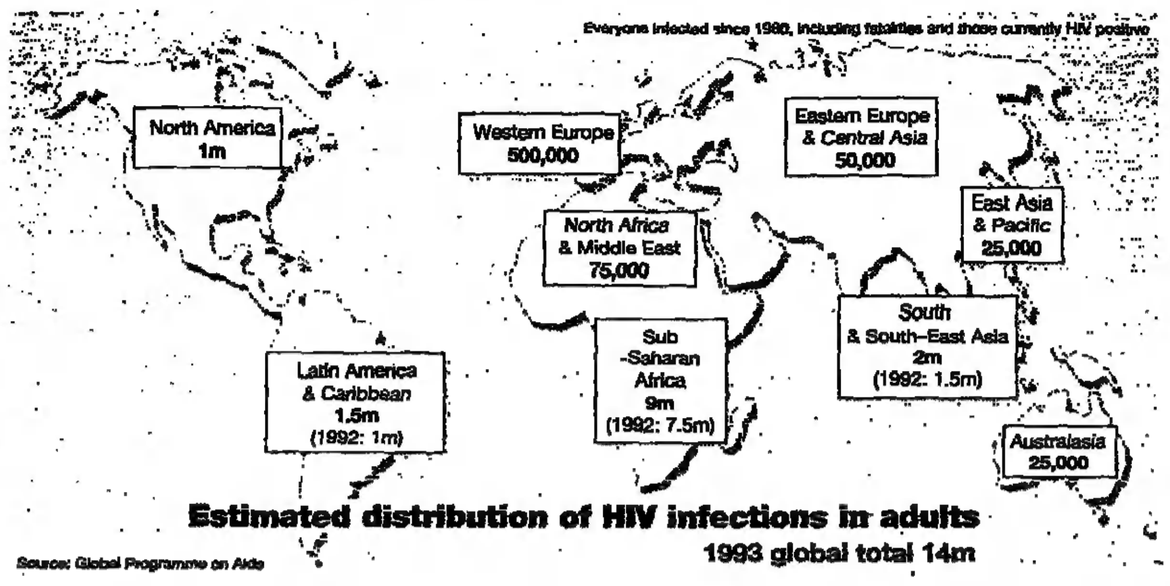
The year between the preliminary publication of the Concorde trial results and their final confirmation today has been a period of almost unrelieved gloom for the estimated 12m people worldwide who are infected with HIV, the virus that causes Aids.

AZT, the only established Aids drug, turns out to deliver no lasting clinical benefit to people who are HIV-positive but not yet showing symptoms of the disease. And worldwide expenditure of more than £1bn a year on Aids research has produced a plethora of potential drugs in early stages of development, but nothing likely to treat the infection effectively in the immediate future.

The official conclusion of the Franco-British Concorde study in today's Lancet is a cautious statement that "the results do not encourage the early use of AZT in symptom-free HIV-infected adults." That leaves doctors free to prescribe the drug if they want to.

But Prof Ian Weller of London's Middlesex Hospital, the study's principal UK investigator, said his advice would be not to take AZT until symptoms appear. Other clinical trials have shown that the drug does then delay progression of Aids.

"Our results show that any benefits of AZT are transient and they have disappeared completely after three years," said Prof Weller. "A policy of careful watching and waiting is just as good as writing that prescription.



Source: Global Programme on Aids

And it makes it easier for someone who's HIV-positive to live life to the full, without being turned into a 'patient' taking tablets and receiving frequent blood checks."

On the other hand, Dr Trevor Jones, research director of Wellcome, AZT's manufacturer, insisted that "the drug remains the best weapon we have to slow the progress of the disease. The question is where in the course of the disease you begin."

Wellcome said patients should discuss the benefits of early and late treatment with their doctors, "allowing the patient to make an informed choice." But Dr Jones believes early treatment is valuable because some benefit, even a transient one, is better than taking no action against the replicating virus.

Aids charities and patient groups yesterday accepted the Concorde conclusions. "For everyone living with HIV, these are very disappointing results," said Mr Nick Partridge, chief executive of the Terrence Higgins Trust. "While other clinical trials have shown some benefit from AZT for people diagnosed with Aids, this trial has failed to find any added advantage in the early, long term use of the drug by those who are HIV-positive but have no symptoms of Aids."

Yet, Mr Partridge said, many HIV-positive people would find it hard to resist medication until symptoms appeared. Those who preferred to fight the infection more aggressively should, instead of simply taking AZT, consider joining one of the many clinical trials of experimental treatments.

The largest trials now in progress are assessing the effects of combining anti-HIV drugs. Many researchers believe the best long-term prospect will be to prescribe a cocktail of two or more medicines; the ingredients may have a synergistic effect in combination, and it is harder for the virus to mutate to develop resistance to several drugs at the same time.

The international Delta trial, for example, has recruited 3,000 patients to test combinations of AZT with the two other drugs approved for HIV therapy: Roche's Hivid (DDC) and Bristol-Myers Squibb's Videx (DDI).

All three drugs are synthetic chemicals called nucleoside analogues which work by mimicking natural building blocks of genetic material. When HIV takes up a drug molecule, it stops replicating.

But the international pharmaceutical industry is also developing several quite different ways of fighting HIV, which may work better even than combinations of nucleoside analogues, with fewer toxic side-effects.

A comprehensive survey by the US Pharmaceutical Manufacturers Association listed a total of 103 Aids medicines in clinical trials at the end of 1993, 30 of which were aimed directly at HIV.

Innovative genetic approaches include "gene therapy" – putting anti-viral genes into patients' blood cells – and drugs that inactivate HIV by switching off its genes. But such futuristic products are unlikely to be approved for general treatment for several years.

"One of the lessons of Concorde is that pinning too many hopes on drugs still in clinical trials increases the disappointment and disillusionment felt when trial results highlight the limitations of therapy," Mr Partridge said. "Above anything else, the Concorde trial has shown us how far away we still are from effective long-term treatments for Aids."

Wellcome pledge to pursue combination therapy

By Daniel Green

Seven years ago AZT was launched into a world alarmed at the prospect of an Aids plague. Sales forecasts not from Wellcome, which developed the drug ranged up to $2.5bn a year. But in the first six months of Wellcome's current financial year, AZT brought in just £110m. In the world league table of best selling drugs, it is about 70th

The main cause of the drug's mediocre performance is that it is not prescribed to HIV-infected people who do not have Aids. Although figures are difficult to confirm, it is widely accepted that fewer than 10 per cent of HIV-infected people are suffering from the disease at any one time, though almost all will eventually contract it.

Patients without symptoms – "asymptomatics" - are regarded as a more lucrative market for the simple, if unpalatable, reason that they live longer. The Concorde study published today confirms that such patients have little if anything to gain from taking the drug and that therefore it will not be the "blockbuster" Wellcome must have once hoped.

Although the preliminary version of the trials, published a year ago, were attacked by Wellcome, the company took a more emollient line yesterday.

Mr Trevor Jones, Wellcome's director of research and development, argued that the final version of the report was essentially positive because it said there was some transient benefit for asymptomatics.

Mr John Robb, chairman and chief executive, insisted that the fortunes of AZT were vital for the company. "It is our second biggest selling product and is very important for the company," he said

He said the company's strategy would remain unchanged: to pursue combination therapy – the use of the drug in combination with others. The company has just signed a deal with Glaxo, the UK's biggest drugs company, that gives it the option to use an experimental drug called 3TC that seems to work well with AZT in laboratory tests.

HIV DRUGS CABINET

Drug	Company
Retrovir (AZT)	Wellcome
Hivid (DDC)	Roche
Videx (DDI)	Bristol-Myers Squibb
3TC	Wellcome/Biochem Pharm
Ro31-8959	Roche
Zerit (d4T)	Bristol-Myers Squibb
GS 393	Gilead
U-87201E	Upjohn
EF13	Scotia
DAB 389IL-2	Seragen
Vaccines	Various

First three drugs available, rest undergoing trials

The trials results nevertheless come at an awkward time for the company. Last month, Wellcome shares fell 8 per cent after it reported slower than expected first-half sales growth and revealed that it was dropping development of a new anti-herpes compound. The company also unveiled plans to cut UK staff with further cuts to come in the US.

City analysts remain unconvinced about the ultimate importance of the drug and its prospects. "Sales of this drug have stopped growing because of Concorde," says Mr Paul Krikler, analyst at securities house Goldman Sachs.

They say AZT is significant to Wellcome but argue that it is not central to the company's fortunes. Another drug, the herpes treatment Zovirax, has first half sales of sales of £418m, up from £369m a year earlier. Zovirax is in the world's top 20 drugs with sales of more than $1bn a year.

AZT, on the other hand has gone into a decline, says Mr Stewart Adkins of Lehman Brothers. He forecasts current year sales of AZT to fall to £218m from last years figure of £248m. "Retrovir will become less important to Wellcome. The company will have to work hard with combination therapies to reverse the trend."

THE PROPERTY MARKET

Nimble-footed likely to remain a step ahead

Property shares have lost their lustre in a market beset by uncertainties, says **Vanessa Houlder**

Property shares have come back to earth with a bump. In the past two months, they have lost more than a sixth of their value, outstripping the 10 per cent fall in the stock market as a whole.

In 1993 the mood of optimism *buoyed by hopes of a sustained* recovery prompted property shares to trade at a premium to assets. But the premiums have proved short-lived. After starting the year on a premium to assets of more than 25 per cent, property shares are now trading at a discount to assets of about 3 per cent.

The turnround is not surprising: *property shares have only traded at* a premium to assets once before in the past 20 years, in the run-up to the 1987 stock market crash. Historically property shares have traded at a discount to assets in excess of 20 per cent.

The stock market is undoubtedly more discriminating in its appetite for property shares

This sharp re-rating of property shares marks a change of attitude towards the sector. A new mood of caution hangs over property shares and – to a much lesser extent – the property market itself.

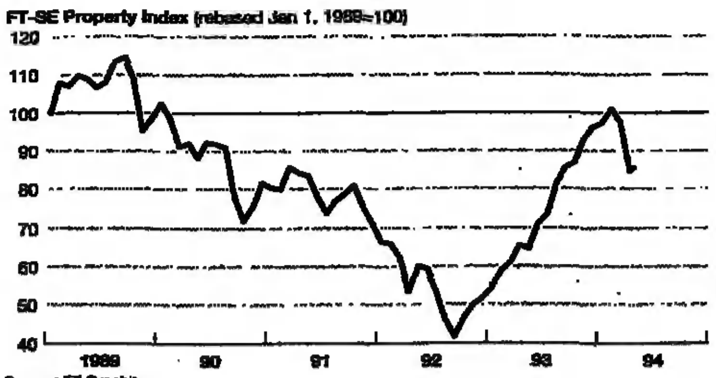
Three main factors lie behind this development: the fall in the bond market this year; the large number of new property issues and rights issues; and a rash of disappointing results from quoted property companies.

The most significant of these factors is the performance of the bond market; the fall in bond yields was the main factor driving last year's strong recovery in property values. *With the fall in the bond market* this year, the property market risks losing some of the momentum behind its recovery.

Views differ on the likely impact of the fall in bond values on property. BZW, the securities house, says the decline in the bond market is likely to result in a marked slowdown in the property investment market. It could even lead to falls in the value of properties with high incomes but poor prospect of rental growth; such properties are most sensitive to movements in bond yields. BZW has scaled back its forecast of property asset growth this year from 16 per cent to 10 per cent.

In contrast, some analysts believe that the impact of the bond market on property has been exaggerated. Other factors, they say, will sustain a property recovery. First, the volume of money which institutions, foreign investors and property companies are putting into the sector will sustain rising property values. Second, the promise of a resurgence in rental values will encourage the market. "We are getting close to

Property shares: out of favour



Source: FT Graphite

rental growth for the first time in four years," said Mr Selwyn Jones of Crédit Lyonnais Laing, a broker.

Regardless of such market sentiments, there is little doubt that the stock market is now more discriminating in its appetite for property shares.

This loss of enthusiasm is largely attributable to the glut of shares being issued by property companies. About £780m of new property issues, rights issues and convertible bonds have been issued in the past two months.

With many more such issues in the pipeline, property companies will have to price their shares more competitively to ensure success. This necessity has been underlined by the failure of last month's public offer for Capital Shopping Centres, a new property company specialising in out-of-town shopping centres, which was only 14.4 per cent subscribed.

Yet another factor blunting the stock market's enthusiasm for property shares is the batch of disappointing results recently produced by quoted property companies. With the exception of Slough Estates, most of the results have been below expectations.

The shares of the biggest companies have suffered particularly hard in the market fall-out. The value of Land Securities, for instance, has fallen by a fifth this year. The only large property company whose shares continue to trade at a premium to assets is British Land, a reflection of the company's high borrowing to assets ratio and strong management record.

But the star share performers have been those of smaller companies. Topping the list is troubled Stanhope Properties, whose shares have risen by 39 per cent in value this year on the back of the acquisition of a 29.9 per cent stake in the company by British land.

Stanhope aside, there is a raft of second-tier companies that have either improved their market value or suffered marginal falls in value this year.

Helical Bar, Burford Holdings and Capital & Regional Properties, for example, have largely withstood the downturn because some investors believe they have scope to increase asset values through acquisitions, active management or developments.

The relatively strong performance recorded by some of these smaller property companies suggests that property companies' fortunes do not simply depend on the movements of the market as a whole. By operating in specific niches these more nimble companies should be able to outperform their larger, slower-footed rivals.

The paradox in Paris

The rescue package unveiled last month for Crédit Lyonnais, in which the bank transferred FFr40bn of non-performing property loans into a specially formed company, has highlighted a paradox in the French property market.

The tactics used by French banks to deal with their property problems have helped avoid a market collapse; but the same strategies have also been blamed for a severe stagnation in the property investment market. A paltry FFr5bn of investment deals were concluded in 1993.

The deep property recession which followed the heady 1980s *left French banks with severe difficulties.* By the end of last year lenders had already made provisions of about FFr70bn against their total exposure of some FFr450bn. But most analysts believe that larger provisions will be necessary to bring values down to more realistic levels.

Those institutions saddled with the property assets of defaulting clients have sought to protect their balance-sheets; they have done this by resisting the sale of property on the open market in a bid to crystallise their losses. Most deals have involved swaps with other institutions or the transfer of properties to specially created companies.

The Crédit Lyonnais deal is a prime example. The bank has transferred FFr40bn of non-performing property loans into a new state-controlled company, with the government guaranteeing FFr18.4bn of the losses on these loans for five years. Crédit Lyonnais said that the decision to hive-off the property assets was taken because it had found it *impossible* to estimate the level of provisioning they required.

This practice, which has eased the pressure on banks to sell the property of defaulting clients, is partly blamed for the stalemate in the investment market. One reason why investors have held back is the scarcity of good quality buildings at a realistic price.

"Such practices have perpetuated an artificial shortage of good investment product; however, it is only fair to say that they were also instrumental in the early stages of the downturn in preventing a market collapse," said Mr Robert Waterland of Jones Lang *Wootton, property* consultants.

For some dealers, the relief that France has avoided a property crash is tempered by impatience at the slow pace at which the investment market is emerging from recession.

Vanessa Houlder

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MANAGEMENT

Revolution in toyland

William Dawkins reports on a US discount retailer's success in Japan

US trade officials considering economic sanctions to blow open Japan's closed markets should reflect on the experience of Toys 'R' Us, the American discount toy retailer.

Over the past two years, Toys 'R' Us has taken an independently estimated 4 to 5 per cent of Japan's $6bn (£4.1bn) retail toy market, on which, to its managers' surprise, it is almost breaking even.

It has, with a mixture of managerial nerve and political help from the US government, destroyed a small but symbolic part of Japan's costly multi-layered distribution system and been a leader in the price discounting now sweeping across Japanese toy retailing.

Toys 'R' Us's experience has disproved the official US view that political pressure is the only way to make progress in the Japanese market – though it is useful – as well as challenged the belief of some European businesses that the best way in is to tip-toe across the threshold over many years.

The US group has swiped market share from the department stores and small corner shops that dominate retailing by offering up to 20 per cent discounts – admittedly helped by the dollar's fall against the yen – a wider product range and extras like parking, a luxury for most Japanese shoppers. Annual turnover per Toys 'R' Us store in Japan is $15m-$20m (£10m-£13.5m), roughly double the sales per store in the US and it expects its overall Japanese sales to double this year.

"We wanted to make a statement and capture the minds of consumers. We felt a modest entry would have been more hazardous to our health than a massive move," says Larry Bouts, president of the US company's international division. He says Japan's recession has nurtured a fashion for value for money.

Bouts' experiences have become a case study for other foreign retailers thinking of moving into Japan, like UK retailer Marks and Spencer, Eddie Bauer, a US retailer of outdoor lifestyle goods, and The Gap, a clothes store.

Unsurprisingly, the US toy group met fierce opposition from small shopkeepers when it was planning its arrival in the late 1980s, but their political influence has waned with that of their political patrons in the Liberal Democratic Party, thrown out of power last year for the first time since 1955.

The progress of deregulation over the past 10 years, while slow, meant Toys 'R' Us also had consent, if not support, from an unexpected quarter, the Tokyo government.

Toys 'R' Us knew it had to take a bigger financial risk in Japan than in other foreign markets. It committed $100m to Japan in lease payments, stock, working capital and training, even before it opened its first store in late 1991. "Several hundred million dollars" later, says Bouts, it has 16 stores stretching across regional Japan and plans to increase this to 24 this year, with an eventual goal of 100 stores.

The decision to hit the market on such a big scale is in line with Toys 'R' Us's general approach. But Bouts felt it was especially right for Japan, a lesson of the "only modest success" achieved there by Pepsico Foods, his former company.

Against all odds: Toys 'R' Us has won a significant slice of Japan's market

Very high turnover per store was needed to cover costs which are, generally, the highest Toys 'R' Us has encountered in any market. The only exception is debt, made cheap by Japan's low official interest rates. Bouts estimates that his Japanese prices are between 50-100 per cent higher than in the US. Even so, his Japanese profit margins are "much lower" than the average for Toys 'R' Us's stores worldwide.

But a high proportion of Toys 'R' Us's Japanese costs are fixed – rent, for example – so that further rises in sales should create sharp rises in profit. "We keep adding to fixed costs at a declining rate as we achieve economies of scale . . . I have some warm feelings about our cost structure," says Bouts.

The other advantage of size is negotiating power, an important ingredient in Toys 'R' Us's success in the US and Europe. Three quarters of its Japanese stock is imported from the US, which gave the group enough volume to justify setting up its own direct import company, to deliver straight from the docks to its warehouses, the first foreign retailer to do this in Japan.

Toys 'R' Us makes direct imports elsewhere in the world, but this was provocation to Japan's still powerful network of distributors. "People said we could not do it, but we insisted we needed control over our distribution," says Bouts.

In a second challenge to Japan's cosy distribution cartels, Toys 'R' Us insisted on buying some of its Japanese-made stock direct from the manufacturers. "At first, most Japanese manufacturers said they would not sell to us. But as the downturn started we became more in demand. They needed large orders," he explains.

Nintendo, the computer games maker, initially said it would only sell through wholesalers. The wholesaler pays 60 per cent of the suggested retail price and sells on to the next stage of the chain at 70 per cent, which then adds another margin before selling to the shop. Nintendo's eventual agreement, to sell to Toys 'R' Us at 70 per cent of the retail price, sent "shock waves" through the toy industry, says Dean Perry, retail analyst at Lehman Brothers in Tokyo.

Even Daiei, Japan's only national supermarket chain, has faced a struggle to achieve direct buying. Yet Bouts believes the shift in balance of power from manufacturer to retailer seen in the US and Europe is now taking place in Japan. Evidence for that is a decline over the past five years in the proportion of Japanese toyshops to stick to manufacturers' recommended retail prices, from 70 per cent to just under 30 per cent, according to a recent survey by the Fair Trade Commission. More than 80 per cent of the shops surveyed attributed this to the impact of Toys 'R' Us.

US political pressure was useful, in that it inspired a Japanese government decision to speed up approvals for the development of new shopping complexes.

This was a result of the Structural Impediments Initiative trade talks with the US, one of the several abortive attempts at bringing down the Japanese trade surplus. Toys 'R' Us was even singled out as a lesson in US-Japan trade relations by former US president George Bush, who opened its second Japanese store on his 1992 trade mission to Japan.

However, even after this liberalisation, Bouts says it still takes three times longer in Japan than in the US to get approval for a new store.

Toys 'R' Us was, however, pleasantly surprised at the understanding it received from the Japanese government on other matters.

It agreed, for example, to allow Toys 'R' Us to send toys to foreign laboratories to be tested for rigorous Japanese safety standards and to scrap a requirement that foreign toys had to be retested every six months.

It is difficult to tell whether Toys 'R' Us has been a catalyst in the changes in Japanese retailing or has simply cashed in on them. But its experience does show that one part of the Japanese market is opening for real. Other sectors might follow a similar pattern.

CHRISTOPHER LORENZ

The good and the bad of bigness

Bigness used to be considered a virtue in business. But it has had a decidely bad press of late. For more than a decade, pundit after pundit, from Tom Peters to Harvard economist Michael Jensen, has sounded the death knell for large companies.

The real world has appeared to bear them out: action by governments, shareholders and managements themselves has broken up all sorts of established dynasties, both sensible but unwieldy business monoliths such as AT&T, and illogical conglomerates such as ITT. Other big companies have reacted by stripping themselves "back to basics": concentrating on their core businesses, and divesting or "outsourcing" the remainder. A fashion has even developed for voluntary demerger.

In the marketplace, lumbering giants, from IBM, Sears Roebuck and General Motors to the American TV networks, have been overtaken by more sprightly upstarts – Microsoft, WalMart, Toyota, CNN – and been attacked by hordes of smaller innovators.

Small is now beautiful it seems – at least until, like Microsoft, you become big enough to join the ranks of the bad and ugly.

In his new book, *Global Paradox*, John Naisbitt, the futurologist who made his name with *Megatrends*, declares that "the bigger the world economy, the more powerful its smallest players". He claims that "we have moved . . . from bigger is better to bigger is inefficient, costly, wastefully bureaucratic, inflexible and, now, disastrous".

As the events of the past few weeks have shown, this blanket judgment is at best misleading and at worst dangerous. If big is bad, why is Lou Gerstner, the new chairman of IBM, reversing his predecessor's strategy of breaking up the company, and instead focusing on "leveraging our economies of scale across research, development, manufacturing, distribution and services," as he put it a fortnight ago?

If big is bad, why is Alex Trotman, Ford's new boss, accelerating the integration of the motor company's design, engineering and manufacturing operations across the globe? Why has BMW bought Rover? Why is Sir Colin Marshall of British Airways pressing its American affiliate, US Air, to clean up its act so that the two companies can move on to their next stage of integration?

The answer is not that any of these people is blind to the frequent virtues of smallness. It is that bigness is a much misunderstood and overabused concept. In the words of Dawn French, a sizeable and hugely popular British comedienne who has assumed the role of chief advocate for large ladies in Britain – much more happily than Roseanne Barr in the US – bigness brings "something extra, and it's not just flesh".

In the wrong form, bigness can mean a business is fat, lumbering and ineffective. But in the right form, it can mean it is vibrant, powerful and agile.

Small is beautiful, it seems, until you become big enough to join the ranks of the bad and ugly

One of the reasons why bigness has fallen into such disrepute is that its more technical definition – scale – has been confused by many people with scope and diversity. What was wrong with ITT and most other companies in the 1970s and 1980s was not that they were too large as such, but that their scope was too broad – they were too diverse to be managed effectively. In each of their various businesses, however, they were often too small. This was certainly true of ITT's telecommunications interests, which had inadequate scale to be competitive in the 1970s, and failed utterly to meet the changed circumstances of the 1980s. Hence their sale.

Equally, AT&T was too broadly spread within the US market – where it was both a manufacturer and a monopoly service operation – but too small from a global point of view. In the US it suffered from diseconomies of scope – and also of scale – but in global terms it was of sub-optimal size. So, today, is BA, and possibly still BMW.

In other words, big is both relative and – with all respect to French and Barr – not necessarily broad.

Nor is big necessarily fat. Anyone who still equates the two should look at Percy Barnevik's ABB, Lew Platt's Hewlett-Packard or Livio DeSimone's 3M. Each is big in its chosen markets but exceedingly lean in the way it is managed. The same applies to a growing number of large multinationals, especially in the US but also in Europe.

Stripped of their superfluous businesses and activities, they are managed increasingly like a collection of small businesses – but with the difference that they also exploit scale economies in selected parts of their "value chain".

For many, this means sharing various degrees of research, design, development and purchasing across their businesses, and also aspects of distribution and service. For others – rather fewer, since the critics are right that large factories can be a handicap – it means harnessing economies of scale in production. For almost all of them it means sharing managerial skills, in particular through the common development of people. In each case, bigness brings benefits.

The trick in this process is two-fold. First, to recognise that the required level of bigness varies not only between industries, but also between the various businesses and value-adding activities within each industry.

The second, far harder, challenge is to achieve the requisite degree of co-ordination or integration without falling foul of what management professors call "the cost of complexity" – what economists prefer to term "unacceptably high transaction costs".

That trick is what Ford claims to be performing in its gradual process of global integration. It is what IBM must achieve if it is to justify Gerstner's retention of so many businesses. Only then will "Big Blue" cease to be seen as bad and ugly, and instead join the ranks of the lean and beautiful.

LEGAL NOTICES

Registered in England and Wales
Stodarth Welding Supplies Limited
Tech-Weld Engineering Services Limited
(Company Numbers 1312527 & 1674578)
Principal place of business: Units 26 & 27 Stodarth Lane Chesterfield S41 0DX

NOTICE IS HEREBY GIVEN, pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named companies will be held at 1 East Parade, Sheffield, S1 2ET on 18 April 1994 at 10.00 am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.
D J Stokes
Joint Administrative Receiver
28 March 1994

Registered in England and Wales
Seaton Engineering Company Limited
(Company Number 605964)
Principal place of business: 918 Herries Road Sheffield S6 [illegible]

NOTICE IS HEREBY GIVEN, pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at 1 East Parade, Sheffield, S1 2ET on 13 April 1994 at 10.00 am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.
D J Stokes
Joint Administrative Receiver
25 March 1994

No. 002151 of 1994
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF BLICK plc
- and -
IN THE MATTER OF THE COMPANIES ACT 1985
NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice, Chancery Division dated the 23rd March 1994 confirming the reduction of the Share Premium Account of the above named Company of £27,165,895 was registered by the Registrar of Companies on 25th March 1994
Dated this 30th March 1994
Clifford Chance
200 Aldersgate Street
London EC1A 4JJ
Ref: RWC
Solicitors for the Company

No. 001252 of 1994
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF BLICK TIME SYSTEMS LIMITED
- and -
IN THE MATTER OF THE COMPANIES ACT 1985
NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice, Chancery Division dated the 23rd March 1994 confirming the cancellation of the Share Premium Account of the above named Company of £11,148,536 was registered by the Registrar of Companies on 25th March 1994
Dated this 30th March 1994
Clifford Chance
200 Aldersgate Street
London EC1A 4JJ
Ref: RWC
Solicitors for the Company

No. 001254 of 1994
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF BLICK TELEFUSION COMMUNICATIONS LIMITED
- and -
IN THE MATTER OF THE COMPANIES ACT 1985
NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice, Chancery Division dated the 23rd March 1994 confirming the cancellation of the Share Premium Account of the above named Company of £21,511,507 was registered by the Registrar of Companies on 25th March 1994
Dated this 30th March 1994
Clifford Chance
200 Aldersgate Street
London EC1A 4JJ
Ref: RWC
Solicitors for the Company

TECHNOLOGY

Worth Watching · Della Bradshaw

Miniature barcode takes your order

A company in Japan has shrunk the ubiquitous barcode to one tenth of its normal size. Because the micro barcodes can be squeezed into catalogues or directories instead of order numbers, the codes, along with their hand-held scanner, could be used for ordering from catalogues or stock lists, or even for phoning numbers directly from a phone book.

Developed by Neorex, of Nagoya, with its international development handled by Foxmark International, of Tokyo, the micro barcode scanner incorporates a specially developed lens which has to be placed in contact with the tiny barcode but can read it even if the lines are not entirely clear. It can also read the barcodes if they have been faxed.

The lens could be incorporated in a telephone handset for less than £30, enabling companies or consumers to read and then dial a number quickly or transfer order information down the phone line to a central database.

Foxmark: Japan, 3 3578 8400.

Chips feel cooler with Oasis

An inert fluid which is used as a dressing to treat burns is now being used in the electronics industry to prevent the latest processor chips from over-heating.

As consumers demand increasing power packed into smaller packages – from laptop PCs to cameras – many microprocessors have had difficulty working at their full capacity without overheating. Oasis has been developed by Aavid, of Laconia, New Hampshire, to dissipate the heat.

Oasis incorporates a fluid developed by 3M which boils at between 56°C and 58°C and is intended for use where there is a minimal amount of space above the microprocessor. As the liquid boils it vaporises and then is carried away to a condenser where it turns back into liquid.

Aavid: US, 603 523 3400.

Magnets caught in traffic jam

Magnets have come a long way from the school physics laboratory. Thorn Automation, of Rugeley, Staffordshire, has developed a portable traffic analyser which uses magnets to detect the type of vehicle travelling along the road.

The EdgeHog incorporates a magnet in a box secured to a post up to 1.5 metres from the road edge. As vehicles pass, the magnetic field they produce is measured by the EdgeHog, enabling it to determine the difference between cars, van and lorries – the main aim of many traffic censuses. By placing two EdgeHogs two metres apart the speed of the vehicles can also be measured.

Thorn Automation: UK, 0889 585151.

● Magnets are also coming to the aid of companies with drinks vending machines. The machines often get clogged up with deposits of scale, particularly in hard water areas.

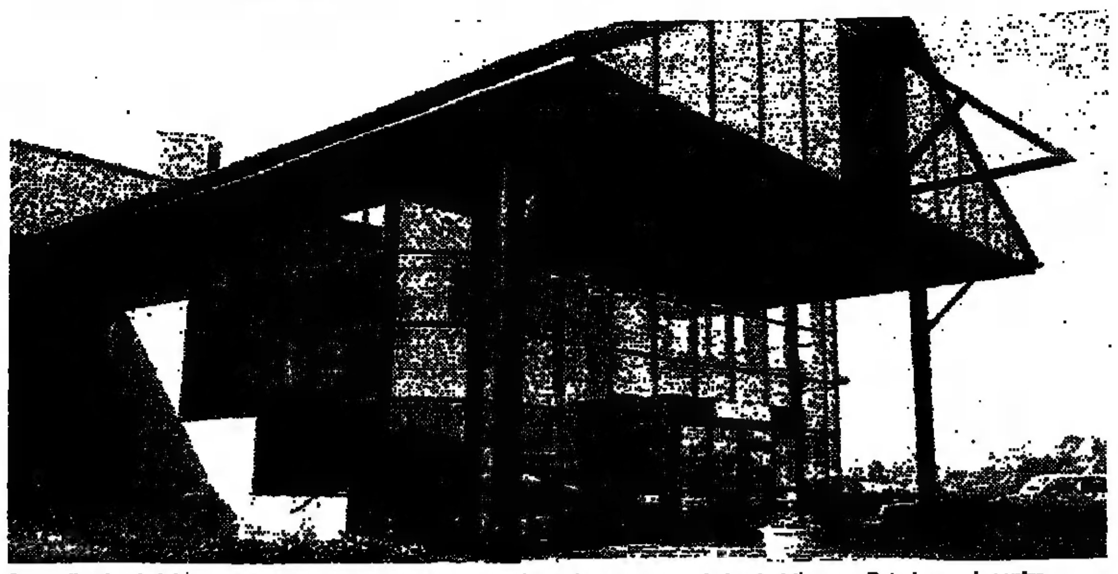
Water Technics, of Woking, Surrey, has adapted magnetic technology already used in the processing industry to help keep vending machines in operation. To prevent the scaling the water passes through the magnetic field created by strategically-placed magnets. The magnetic forces prevent the calcium and magnesium crystals sticking to each other and so being deposited.

Water Technics: UK, 0483 483963.

Background noise told to quiet down

Many employees of industrial companies, such as chemical plants or papermills, literally cannot hear themselves think. Now a US company has developed a communications system for hazardous and industrial areas where the handset eliminates 75 per cent of the background noise. Developed by GAI-Tronics, of Reading, Pennsylvania, the Europage combines an intercom and a public address system.

GAI-Tronics: US, 610 372 5151.



Streamlined: administration for investment management and taxation is now carried out at the new Peterborough centre

Back in business and up-to-date

Barclays Bank Trust has spent £32m to cut costs and improve customer services, reports **Joia Shillingford**

Three years ago, Barclays Bank Trust Company, a unit of Barclays Financial Services, was caught in a vicious spending circle. For every £100 of revenue, it was spending £90 on servicing its customers. Greater use of computers in the company would have cut costs, but such investment was not made because its earnings were thought to be too small.

But times have changed. This month, the company will start to reap the full benefits of a restructuring programme. Its procedures have been redesigned, its operations centralised and new systems introduced. Now, only £55 of every £100 goes on customer servicing. The total cost to the business of this process re-engineering project, codenamed Meridian, was £32m, of which £8m went on information technology.

Although its procedures were largely paper-based prior to the project, the company scored highly in customer satisfaction surveys. People liked the "quill pen" image. David Johnson, head of project management services at Barclays Financial Services, part of Barclays Bank, said: "It wasn't quite copperplate handwriting, but Dickens would have felt at home there."

However, with the market for trust services (investment management, taxation, executorship and trustee business) becoming more competitive, Barclays had to act to maintain its position. "Barclays was under pressure to improve efficiency or let building societies, accountants and solicitors cherry pick its most profitable customers," says Johnson.

"The only way we could continue to offer the same level of customer service at a competitive price was to use IT. So we started looking for opportunities," he says. The trust company, based in London, had eight branch offices and 22 regional offices, most located near Barclays Bank branches which referred business to them.

Barclays Bank Trust realised it could lower costs if it took back-office administration away from these offices and based it in two or three centres. This marked the beginning of Meridian which comprised: redesigning business processes; deciding which jobs would be needed after the reorganisation; automating the redesigned processes; and selecting new locations.

Planning took six months. One of the first tasks was to map the steps involved in Barclays Bank Trust's work processes and assess how they could be improved. A system from Digital Equipment called Stars was used to trace information flows. This depicted processes in different colours depending on whether they were paper-based or computerised. It showed the way the business was organised and identified bottlenecks. Based on the redesigned information flows and users' requirements, it was possible to define the number and type of jobs needed after relocation.

Barclays Bank Trust then chose suppliers for the IT equipment, which included an investment management system. The company initially ran into problems, however, after spending £500,000 for a system that it said did not function properly – it is now in litigation.

Barclays then chose a proven investment management package, Paladign, from DST/Clarke & Tilley of the US.

It has added other features in a bid to gain a competitive advantage. For example, staff can now perform "what if?" scenarios on customers' share portfolios, to find out the most efficient way of handling their affairs.

To the user, the extra features look as if they are part of Paladign because they are available through the same interface – Foss (front-end support system). There are two versions of Foss, one for investment management and one for executorship and trustee (with options for handling property, estate accounts, old master paintings and other types of business).

Johnson believes that the combination of choosing a tried-and-tested package and the add-on features has helped the company meet the project's deadline of end-March 1994.

"If we had missed the deadline, a lot of employees who were relocating would have had their lives messed up," he says.

Paladign runs on an IBM AS/400 system based in Poole, Dorset. This sends data to computers in the new back-office centres in Peterborough Business Park (for investment management and taxation) and Northwich near Manchester (for executorship and trustee work).

For Barclays Bank Trust clients, centralisation means that instead of calling a regional office they are assigned their own service representatives at the two new centres. If the contact is away, another administrator can call up the relevant details on a computer screen.

The main back-office systems are linked electronically to Barclays Stockbrokers (in Glasgow) and to its own London brokers, BZW. So orders to buy or sell shares can be turned round more quickly.

Automation has other benefits:

● Staff can find out the state of a customer's portfolio instantly and calculate capital gains liability quickly when an order to sell is received.

● Orders to sell shares can be carried out in three or four days instead of up to 14 or 15 and require one piece of paper rather than up to 19.

● Accuracy should increase because checks are built in to the software to ensure compliance with financial regulations.

● Sales and customer service in the regional offices could improve because although there are fewer staff (down from an average of 40 per office to an average of 10), they are freed from back-office processing.

● Administrators can handle 450 clients instead of 200.

But for Barclays Bank Trust, the biggest benefit is the sharp improvement in the cost/income ratio. Savings will be made from the closure of eight branch offices and cutting the payroll from 1,200 to 750. Total cost savings have been put at £12m a year, giving a payback period of around two-and-a-half years.

Public peep at politics

Most technological achievements take years – if not centuries – to become the subject of academic research. But a service to be launched to a wider audience next Monday has already become part of a course at the University of Central England in Birmingham.

Students studying the official and legal information course are looking at the workings of Polis, a parliamentary online information system which will be available internationally as Justis Parliament next week.

Justis Parliament, from Context, the information service company based in London, will enable businesses, government departments, lobbying groups, the media and academics to obtain information about what will happen in both Houses of Parliament – standing committees, tabled questions, early day motions and so on.

"Hansard is only a report of what has happened. Justis looks ahead," explains Michelle Green, marketing director of Context.

Whereas Polis is an online database service, available largely to members of parliament, Justis Parliament combines CD-Rom technology with an online service. This makes it considerably less expensive for the user.

A complete record of parliamentary events from 1979 to 1987 is stored on a single disc which costs £250; a second £250 disc buys records from 1987 to 1992. For the current parliamentary term from 1992, subscribers buy a combination of CD-Rom and online services. An annual subscription of £480 buys two discs plus the first 60 minutes of database search time.

Because the archival data is stored on CD-Rom, the time it takes to search the database is reduced, Green points out, resulting in lower costs.

The service is available over the public packet switched phone network and will be available on the Internet network later this year.

Della Bradshaw

PEOPLE

US/UK policy adviser joins BitC

Cay Stratton, one of the leading architects of radical change in the delivery of training in the UK, has joined Business in the Community.

BitC is undergoing a regular three-year review and a number of job titles, including Stratton's, are yet to be determined. It is likely, however, that Stratton will lead new initiatives by BitC to promote partnerships between the public and private sectors.

Stratton, who was policy adviser to three successive employment secretaries in the UK, returned to the US last year to become senior policy adviser to Douglas Ross, assistant secretary at the Department of Labor. She returned to the UK earlier this year.

In the late 1980s, Stratton was chief executive of the Boston Pic. Private Industry Councils are employer-led organisations which involve the private sector in education and training.

Norman Fowler, the then employment secretary, met her

on a visit to learn about Pics and US vocational training and in 1987 she accepted a one-year post as his special adviser. She stayed nearly six, also advising his successors, Michael Howard and Gillian Shephard.

Stratton was part of a small team which laid the foundations for the government's current policies on training. This included setting up Training and Enterprise Councils, which administer government-funded training and promote local economic development.

■ A chief executive who has demonstrated considerable flair in the running of his own Tec has been appointed as the first full-time director of policy and strategy for the 82 Tecs in England and Wales.

Chris Humphries, who has been chief executive of Hertfordshire Tec since 1991, is expected to take up the position in June. In effect he will be chief executive of the Tec secretariat which supports the work of the Tec National Council, a body which represents Tecs nationally, in particular in their relationship to the government.

Responsibility at a national level for policy and strategy has until now been handled in a part-time capacity by Richard Guy, the chief executive of South and East Cheshire Tec and Business Link.

Humphries, 44, is expected to play a key role in negotiations between Tecs and the government as well as interfacing between the several specialist committees that develop Tecs' policies. He will report to Mike Bett, the former deputy chairman of British Telecom, who has taken over as non-executive chairman of the Tec national council in succession to Edward Roberts.

After more than a year without a chief executive, Laurentian Financial Group, of which the main element is a life assurance company, has appointed Roland Ward (above) to the post.

In the months following the departure of Paul Seymour, Ward and three colleagues jointly ran the business, reporting record profits of £7.3m in 1993. The board then decided to choose the chief executive from among the four; remarkably, at present the other three have decided to stay with the group. "We have a very good relationship – it could have gone to any of the others," Ward says.

He sees a big task for Laurentian, and for the life industry in general, to win the trust and confidence of the public; earlier this year Laurentian Life was fined £70,000 by its regulators for serious rule breaches, including a failure to ensure sales agents gave best advice to investors.

For Laurentian in particular, Ward also believes it will be important to develop innovative products, in areas such as protection, since it cannot compete with leading companies in the sector in terms of size.

He comes from a banking background, having been with bank of America before becoming deputy chief executive of The Mortgage Corporation when it was set up in the late 1980s. While there, he was approached by Laurentian, which he joined in 1992 as group finance director. He is succeeded in that post by Michael Tallet-Williams, finance director of Laurentian Life.

■ In a move aimed at bolstering its foreign exchange activities, Natwest Markets has appointed Michael Cornford, 47, as head of global foreign exchange.

He will fill the gap left by the promotion of Stephan Harris to the position of group treasurer for the Natwest Bank group. Cornford leaves his position as managing director, foreign exchange, at Swiss Bank Corporation in London to take up his new post in May.

Cornford says his philosophy will be to "deliver high value products and services to a well focused client base"; clients require "one-stop shopping" delivered across time zones. But he adds that is "coming to a first class business where there is nothing broke that needs fixing".

■ **Michael Benson**, chief executive of the Invesco Pacific Region, has been appointed a director of INVESCO.

■ **Sally Collier** and **Christopher Vaughan** have been appointed to the board of SAMUEL MONTAGU, part of HSBC.

■ **Helen Walsh** has been appointed marketing director of NATWEST Ventures; she moves from the British Venture Capital Association.

■ **Nicola Brooksbank** and **Nicky Maxfield** have been appointed directors of PORTFOLIO FUND MANAGEMENT.

■ **Andrew Blair** has been appointed finance director of CAL Futures and CAL Investments.

■ **Philip Nash**, formerly joint md of Fidelity International's UK institutional investment business, has been appointed md of PAINEWEBBER International Asset Management.

■ **William Meadon, Charles Richardson** and **Campbell Watterson** have been promoted to the board of NEWTON INVESTMENT MANAGEMENT.

David Adams is to leave Henry Cooke Lumsden, the Manchester-based stockbroking and financial services group. A former chief executive, he says the parting is "amicable", but is precluded from saying more.

Most members of the northern network of professionals are interpreting this as the push after a rocky 1990s. First, Cooke's merchant banking arm – Edington – was shut down by the Bank of England; in the general crisis of confidence in small deposit-takers three years ago some local authorities withdrew deposits, which damaged liquidity.

A successful receivership has so far returned 85p in the pound to depositors, with at least another 5p due this year. This has helped save both Cooke's and Adams' reputations, but the core stockbroking business suffered badly from low trading volumes in the recession.

The market stirred just in time to avert serious redundancies, but a wounded Cooke then had merger discussions with the Birmingham-based Albert E. Sharp. These foundered, but Sharp now has a Manchester office, run by some former Cooke's people – a thorn in Cooke's side.

Field Walton, a former Cazenove stockbroker, became chairman late last year. Cooke has now been reorganised into divisions catering for private clients, institutions, corporate finance and management of unit trusts and Peps, each with its own chief. Adams was shunted sideways to become finance director.

His departure confirms people's suspicions this was not an entirely happy arrangement. "Once you have been the boss, it's difficult not to go on being the boss," Adams let slip to a friend.

He is 50 and on the look-out. Influential contacts include Joe Dwek, chairman of Bodycote and his brother-in-law. He is also one of the leading activists behind Manchester's emergence as a European regional financial centre.

ARTS

Theatre

Dishonor with an honorable lady

This week ex-Avenger Honor Blackman is entertaining her admirers at the Criterion with her [illegible] woman show, *Dishonorable Ladies*. It is a disconcerting event. Ms Blackman in maturity is very much the Colonel's lady rather than Rosie O'Grady and the evening has the indelible air of a genteel soirée at a fashionable spa at which a distinguished actress has been lured out of retirement.

Ms Blackman's succession of "femme fatales through [illegible]" would not ruffle the wings of a butterfly. They come across [illegible] genteel ladies, better at talking about romance than getting involved in anything so sticky as sex. But Michael Crompton, who is directing, and John Watts, have served Ms Blackman faithfully with material and anyone who enjoys anthologies will feel comfortable here.

Some of the items are lost gems, like a sketch by the deeply unfashionable Herbert Farjeon, a monologue for a 1930s gold digger rehearsing the evening as she dresses to meet her date. Some are ill-conceived, like Ms Blackman attempting the vamps of the silent movies. Some are plain weird, like the excerpt from Elinor Glyn's novel Three Weeks, which must surely return to print.

William Blezard is at the piano. He is the most diplomatic of men, for in his day he accompanied both Dietrich and Grenfell. The evening brightens with the musical numbers, in particular an updated version of *Let's Do It*, with John Major and the Prince of Wales neatly caricatured, and Piaf's La Vie En Rose. All in all, an occasion for those who like their passion vacuum-packed.

Antony Thorncroft

At the Criterion until April 9.

Ballet/Clement Crisp

A Beauty to remember

To stage *Sleeping* [illegible], or not to [illegible] it? Directors of ballet companies embarking upon this sublimest, supremest challenge should be on their knees with the [illegible] "Lord, we are not worthy" ever on their lips. But hubris and chutzpah being what they are – and endemic in the dance world – companies go ahead. They trim, alter and, damn them, re-interpret, and *Beauty* suffers. So, by a nice twist of fate, do their dancers, who founder in the choreography – Petipa is not to be mocked. So, alas, do audiences, who are given dross instead of gold.

Now Scottish Ballet [illegible] the [illegible] with a new *Beauty*. [illegible] against [illegible] the [illegible] that it does not have enough dancers to produce the work as it should [illegible] and, frankly, [illegible] not [illegible] enough [illegible] the schooling, the stylistic [illegible], to cope with Petipa. (I must observe that such demands are ill-met by any troupe in this country.) On the positive side, in this battle for classic order and dignity, is the fact that Galina Samsova – whom we have much admired in *Beauty* – [illegible] Ballet, [illegible] plainly not prepared to sacrifice the piece on the altar of gimcrack production and artistic expediency.

There results a staging far better than we might dare hope. The text is decent, given the concessions made to reduced numbers. Petipa's architecture, his finest choreographic ideas, are honoured. The dancers are learning from the [illegible] made upon them, and Samsova has invited guest artists to bolster her ranks. The standards of the company's orchestra (53 musicians) and conductor, Alan Barker, are notably good: Tchaikovsky is safe. For her medium-size touring version, Samsova could not aspire to the decorative splendours properly needed so, in an intriguing compromise, she [illegible] sets from Patrick Kinmonth and costumes from Jasper Conran.

It [illegible] here that [illegible] are strongest. Kinmonth's permanent set is of grey walls that can move to become various locales, with a vivid red bed as a glaring accessory, and a series of receding portcullises [illegible] the magical [illegible]. Clever, elegant, [illegible] scheme becomes claustrophobic, and the viewer's imagination [illegible] trapped. The idea [illegible] effective, but is, I suspect, for another, less airy ballet. Conran's costumes [illegible] – colours unexpected, with fairies in sorbet-shades, [illegible] in black and white, busily patterned – skilfully [illegible] and often [illegible] conceived. Period [illegible] suggested, but [illegible] do not always register strongly. The final [illegible] though, [illegible] stylish: neither design nor ballet [illegible] been compromised.

Faced with the perils of Petipa's dances, the Scottish artists do [illegible] their best: the troupe looks far more secure as an ensemble than when I reported [illegible] their [illegible] *Karenina*. There [illegible] optimistic moments, and variations when the school report reads "Must do better", but if *Beauty* is seen as a way of aspiring to classic decorum, then Scottish Ballet is on the right path, and this justifies the staging.

What totally justified Wednesday evening's performance (which I saw in Oxford's hideously uncomfortable Apollo Theatre) was the presence of Ludmila Semenyaka as [illegible] guest Aurora.

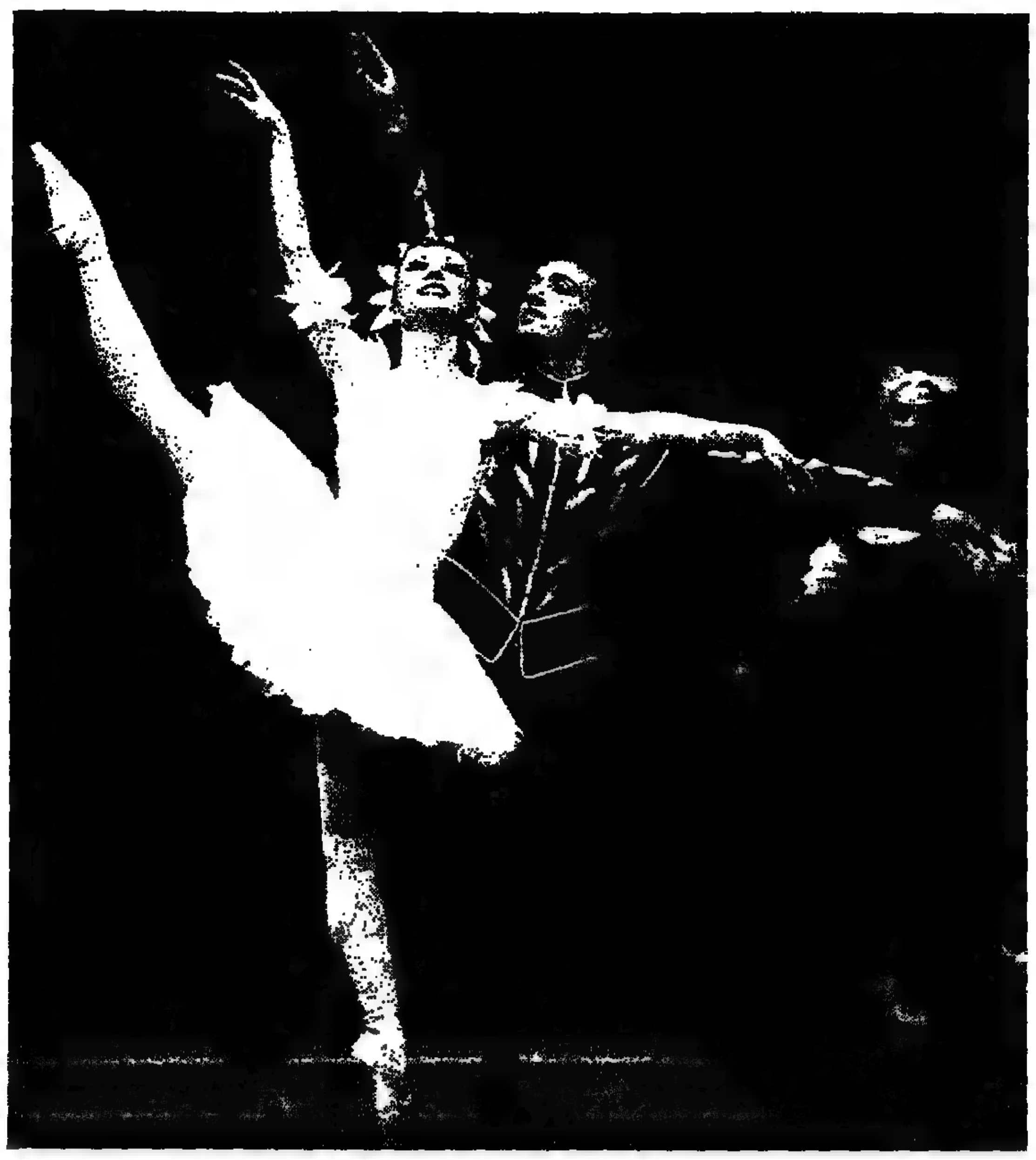
Semenyaka has been one of the glories of Bolshoi [illegible] throughout the world. In her performance [illegible] Aurora we [illegible] everything [illegible] role demands: [illegible] Petersburg schooling; [illegible] physique, [illegible] a style light, clear, harmonious; [illegible] grandeur [illegible] comes from the [illegible] her [illegible] as a pupil of Petersburg's greatest [illegible] – Semyonova and Ulanova; and that sense of classic form that is the mark of the rarest performers in the academic style.

Her Aurora is a portrait of youthful charm, drawn with [illegible] simplicity and [illegible] technical authority that only come when the role is fully under[illegible]. It is utterly engaging and, ultimately, utterly mysterious. We see how pure the dance is, with phrasing sprung from the score, with [illegible] dulcest mastery that makes triple pirouettes in the first act solo seem the most natural and happy expression of Aurora's delight. We sense, also, the long, long perspectives of Semenyaka's art, which go back by way of her teachers and coaches, and their teachers in turn, to Petipa's time, so [illegible] does is not only right but inevitable.

It is extraordinary classical dancing, and extraordinarily beautiful. And it was, on this occasion, sensitively judged for the confines of the stage and the means of the staging itself. Semenyaka's partner was Marcello Angelini, [illegible] in style, well-mannered and attentive.

I [illegible] salute [illegible] performance – that of Yurie [illegible] as Florine in the Bluebird duet. To what can often seem a test of archness as much of technical facility, [illegible] Shinohara brought wit, an enchanting [illegible] and a sense of joy, that were irresistible. It was most memorable dancing.

[illegible] Ballet is at the Apollo Theatre Oxford until April 9; then plays 'Sleeping Beauty' in Newcastle (April 12-16), Hull (April 19-23), Edinburgh (April 26-30), Inverness (May 4-7).



Bill Cooper

Winning the battle for classic order and dignity: Scottish Ballet's engaging 'Sleeping Beauty'

Theatre

RSC's Ghosts

Watching Jane Lapotaire [illegible] days is [illegible] curious business. That we have few [illegible] with such intelligence, authority [illegible] accomplishment [illegible] beyond question. Yet it has been years since I could believe in one of her [illegible] characterisations. Right now, London has the chance [illegible] see [illegible] in the great role [illegible] Mrs Alving in Ibsen's *Ghosts*, with the RSC in the Pit. Watching and [illegible] her, [illegible] cannot help [illegible] find new insights into the role and into the [illegible] fabric of this marvellous play; but [illegible] a portrayal [illegible] calculated in moment-by-moment delivery, so full of [illegible] motifs, and [illegible] carefully arranged [illegible] expression of dismay, that it [illegible].

This is [illegible] just [illegible] the [illegible] of Lapotaire's talent, but [illegible] because [illegible] dominates [illegible] play, excellent in [illegible] respects. This production – [illegible] I reviewed [illegible] premiere at [illegible] – [illegible] launches the RSC's new London season. [illegible] of Mitchell, and indeed of Lapotaire. For a close scrutiny of *Ghosts*, it is unlikely to be surpassed for years to come.

Mitchell fastidiously observes the [illegible] play. [illegible] things – [illegible] syphilis, and repression, and hypocrisy, and [illegible] struggle [illegible] social freedom; but, [illegible] hands, [illegible] things [illegible] more powerful because [illegible] into [illegible] significance, [illegible] anachronistic [illegible] to remind [illegible] modern [illegible] play's implications are. [illegible] Mortimer's designs [illegible] haunting, perfectly creating the spartan elegance [illegible] Norwegian interior. And [illegible] MacHugh's lighting conveys [illegible] the darkness of this room, and the distant pallor of the daylight outside (though the final dawn is none too persuasive). Details of offstage sound, or the maid's duster, or Pastor Manders's hat, all contribute beautifully [illegible] eloquent whole.

Simon Russell Beale is a strongly [illegible] Oswald. If one does not quite [illegible] his last words would really be "the sun, the sun", then one certainly attends to his protest that sunshine and the joy [illegible] life have never been part of his life at home. John Carlyle's Pastor Manders is a superb performance, bringing a wealth of life to this stiff character. Alexandra Galbraith and John Normington, however, have slightly coarsened their detailed interpretations of Regina and Engstrand. Should their self-servingness be quite so obvious?

The "ghosts" become more fascinating the closer you attend. Lapotaire [illegible] two acts [illegible] may not be [illegible] Alving [illegible] present Pastor. In the last act, however, [illegible] seems simply [illegible] given [illegible] this last vestige of her love for the [illegible].

In her [illegible] grand and repeated gesture, Lapotaire suggests that Mrs Alving keeps being [illegible] by men. [illegible] out [illegible] arm – palm downward, [illegible] parted like a claw – towards the memory of [illegible] husband, or the Pastor, or her son. Then she lets the arm fall, slowly, slowly. But the gesture [illegible] up [illegible] of Lapotaire's performance. Trying [illegible] Mrs Alving's [illegible] (normally very contained [illegible] her body language), this gesture actually turns out [illegible] the [illegible] unspontaneous thing Lapotaire [illegible].

Alastair Macaulay

In RSC repertory at the Pit, Barbican.

Market forces put sponsor rivals on clearer footing

The difference in approach to [illegible] funding by BT and Lloyds is fundamental, says Antony Thorncroft

There is rivalry between BT and Lloyds Bank for the title of the UK's biggest sponsor of the arts. BT, despite freezing its budget for 1994-95 at £1.8m, wins so far.

The rivalry reflects a fundamental difference in approach to sponsorship. BT concentrates money on the classic arts and does not include its modest hospitality and marketing expenditure (probably about £200,000) in its figures. Nor does it advertise its sponsorships.

Lloyds, with two sponsorship initiatives each in fashion and film, plus the Young Musician of the Year competition which reaches its climax on BBC2 tomorrow, spends £2.4m, but this includes a substantial tranche of advertising expenditure. Around £1.5m goes to the arts.

Lloyds wants public recognition and goes for events with certain, or likely, television coverage. BT is more philanthropic, but market pressure is forcing it to promote awareness of its generosity.

Lloyds Bank, which has heavily promoted the Young Musicians this year, will this weekend run a campaign on Classic FM offering free CDs of the final to the first thousand of its customers who phone in with the name of the winner. This should boost viewing figures and reward the loyalty of customers.

Lloyds will soon begin negotiations with the BBC to renew its contract for the biennial event, which remains the Corporation's biggest lapse into commercial sponsorship. Lloyds is inclined to sign up again, as long as the BBC [illegible] not [illegible] tially its fee of £500,000.

By an odd chance, the two largest sponsors have taken it in turn to back the Royal National Theatre's educational work. Lloyds supported it for five years with its Theatre Challenge, and now BT has put up £400,000 for the next two years with its BT [illegible] Scheme. Leading playwrights will be [illegible] works, or undertake translations, for performance by young people.

Around 200 groups are expected to participate. Some will then go on to work with 10 local theatres, such as the Traverse in Edinburgh and the Sherman in Cardiff, and a few will progress in July 1995 to a celebration of youth theatre on the RNT stage.

*

The arrival of the Lottery next year is likely to have profound ramifications on every aspect of the arts world, including corporate sponsorship.

This week the Arts Council chose Jeremy Newton, chief executive of [illegible] Arts, to [illegible] Lottery Director. He will take charge of the money raised by the Lottery to be devoted to arts ventures.

Newton will have at least £70m a year to hand out for capital projects for new arts buildings and improvements to existing structures.

This will be challenge money: arts organisations will be expected to contribute some of the cash towards their planned developments. The obvious source for such additional funds will be corporate backers, who have been notoriously [illegible] capital projects (with [illegible] exception [illegible] Glyndebourne, [illegible] raised more [illegible] from [illegible] its new theatre). They prefer [illegible] support new creative [illegible] which they [illegible] use [illegible] hospitality or [illegible] spin-offs.

If companies [illegible] persuaded that they can [illegible] help [illegible] organisa[illegible] by providing [illegible] new building projects, there will [illegible] sponsorship [illegible] for [illegible] productions, exhibitions, competitions [illegible].

*

National Power wants to make the piano competition it backs in London every [illegible] years comparable [illegible] in Moscow and Leeds. [illegible] Trevor Holdsworth, chairman of National Power, a first-class pianist with performances at the Festival Hall under his belt, is enjoying the preliminary rounds for the follow-up event, scheduled for London this September.

While it is [illegible] company's sponsorship follows [illegible] inclination of the chairman, or his wife, [illegible] is often true. But Sir Trevor [illegible] a wonderful [illegible] Power backed the first World Piano Competition in [illegible] any links with the company.

Last [illegible] Power [illegible] Series, which matches [illegible] pianists to top [illegible] performances throughout the country, which are used [illegible] corporate [illegible] staff entertainment.

[illegible] Power seeks no marketing payoff from its expenditure: it comes from its "good [illegible]" as opposed to its charity budget. The £400,000 plus National Power spends [illegible] competition [illegible] largest [illegible] of this budget, with scholarships on top [illegible] prize money, which is shared between the four finalists.

*

The National Gallery [illegible] Scotland [illegible] pulled [illegible] deal [illegible] – [illegible] from Fondation Elf [illegible] make possible [illegible] to Matisse: Landscape painting in France 1874-1914, [illegible] opens in Edinburgh [illegible] August 11.

The French company's total support for the exhibition, including a gala dinner, will be much higher. The deal was signed just in time. Elf, the leading French oil company, is being privatised and seems certain to reduce its contribution to culture.

Another important show, from the NGS, The Romantic Spirit in German Art 1790-1990, at the Royal Scottish Academy and the Fruitmarket, is supported by Beck's.

The woodwind finalists in the Young Musicians competition

INTERNATIONAL ARTS GUIDE

Munich Biennale

Six new operas will be presented at the 1994 Munich Biennale (April 29-May 22), the international festival for new music-theatre founded in 1988 by Hans Werner Henze. For Anglophone visitors, the main interest lies in the world premiere of Benedict Mason's Playing Away, a "football opera" with a libretto by Howard Brenton.

In his concert works, Mason (b1952) has already shown a quirky sense of humour that augurs well for his first venture into the opera house. Set during the European Cup final between an English and a German team, Playing Away parodies the British tabloid view of football and Germany. Even for those with no interest in football, the hints of Faustian bargains-with-the-devil will surely add to the fascination. Opera North's production, staged by David Pountney and conducted by Paul Daniel, will be shown at Munich's Deutsches Theater on May 19, 20 and 21, before transferring to Leeds.

Another new work at the Biennale is Freeze by Dutch composer Robert Zuidam (b1964), based on the tale of Patty Hearst, the American media-magnate's daughter who was kidnapped by terrorists. Italian composer Ada Gentile (b1947) brings [illegible] modern reconstruction of an Alcina opera written by early 17th century Florentine court singer Francesca Caccini (089-48098 614).

An operatic world premiere also opens this year's Schwetzingen Festival, based at the rococo court theatre near Mannheim (April 13-May 28). Sansibar, by Dresden composer Eckehard Mayer, is a co-production with the Bavarian State Opera in Munich, where it will be shown during the July opera festival. Schwetzingen will also stage L'Opera Seria, a three-act commedia per musica by 18th century Bohemian composer Florian Leopold Gassmann. Other highlights include recitals by Sviatoslav Richter and Barbara Bonney (06202-4933).

EXHIBITIONS GUIDE

AMSTERDAM

Rijksmuseum Dutch Figure Drawings 1700-1850. Ends May 1. Closed Mon

Van Gogh Museum Pierre Puvis de Chavannes: 150 portraits, still lifes, genre pieces and sketches by the 19th century artist whose murals grace many public buildings in France. Ends May 29. Daily

BERLIN

Spandauer Zitadelle Dali as Sculptor and Illustrator: 38 sculptures from the years 1936-88 and 300 illustrations on themes from world literature. Ends May 25. Daily

BONN

Kunst- und Ausstellungshalle Bunuel, Eye of the Century: comprehensive retrospective of the Spanish film director (1900-83), showing the common ground between his films and Surrealist art. Ends April 24. Closed Mon

FRANKFURT

Schirn Kunsthalle Archaeological Treasures from Romania. Ends April 17. Daily

Städel Ernst Wilhelm Nay: 70 paintings from the early postwar years. Ends May 23. Closed Mon

Museum für moderne Kunst On Kawara (b1933): seven paintings and 82 drawings by the Japanese conceptual artist. Ends May 15. Closed Mon

GENEVA

Musée Rath Henri Michaux (1899-1984): more than 200 works by the French artist-poet. Ends May 22. Closed Mon

LAUSANNE

Fondation de l'Hermitage The New Wave: Japanese woodcuts 1868-1939. Ends May 1. Closed Mon

LONDON

Royal Academy of Arts Goya: 100 small-scale paintings covering his entire career. Ends June 12. Daily (advance booking 071-396 4555)

Hayward Gallery Salvador Dali: The Early Years. Ends May 30. Daily (advance booking 071-928 8800)

Tate Gallery Picasso: 200 works focusing on the relationship between sculpture and painting. Ends May 8. Daily

Serpentine Gallery Markus Raetz: a selection of refreshingly undidactic paintings by the Swiss artist, highlighting [illegible] lightness and delicacy of his conceptual wit. Ends April 24. Daily

British Museum The Study of Italian Drawings: a tribute to the late Philip Pouncey. Ends April 24. Daily

National Portrait Gallery Holbein and the Court of Henry VIII. Ends April 17. Daily

Whitechapel Art Gallery Medardo Rosso (1858-1928): retrospective of the Italian Impressionist sculptor. Ends April 24. Closed Mon

MILAN

Fiera Milano The Sforza Castle's Hidden Collections: this exhibition, drawn from one of Italy's most complete collections of decorative arts, is one of many attractions at the 12th International Antiques Fair, which opens tomorrow and runs till April 17. Visitors to the fair will be able to participate in a series of afternoon discussions on various aspects of collecting presented by renowned Italian scholars. There will also be free guided tours of the fair by art historians (red line underground MM1 [illegible] Amendola Fiera Station. Further information: 02-7601 3255)

MUNICH

Kunsthalle der Hypo-Kulturstiftung Pierre Bonnard: 130 paintings and seven sculptures by the Nabis artist. Ends April 24. Daily

Lenbachhaus Between the Brücke and the Blaue Reiter: Expressionist paintings from the Ahler Collection. Ends May 23. Closed Mon

NEW YORK

Museum of Modern Art Frank Lloyd Wright: architectural fragments, full-scale constructions, scale models and 350 original drawings. Ends [illegible] 10. Feininger, Kandinsky and Klee: 75 prints and illustrated books produced by three Bauhaus artists. Ends May 17. Closed Wed

Metropolitan Museum of Art The Decorative Arts of Frank Lloyd Wright. Ends Sep 4. 19th century paintings and drawings from Germany and Switzerland. Ends April 24. Closed Mon

Guggenheim Museum Frank Lloyd Wright's Designs for the Guggenheim Museum. Ends May 20. The main museum is closed on Thurs, the SoHo site on Tues

PARIS

Grand Palais The Sun and the Northern Star: the fascination which Louis XIV (the Sun King) exercised in 18th century Europe is reflected in the collections of paintings, porcelain, furniture and massive silver pieces imported by Gustav III of Sweden from France in an attempt to emulate the splendour of Versailles. Ends June 13. Closed Tues

Hôtel de Ville Nicolas de Stael: 70 paintings and 40 drawings from private collections, whose smaller scale - compared with the large canvases in museums - reveals [illegible] gentler aspect of the painter driven to despair by his quest for perfection. Ends June 19. Closed Mon (Salle Saint-Jean, 3 rue de Lobau)

Mona Bismarck Foundation Early Italian Peoples: pottery, jewellery, bronze statuettes and arms, showing the diversified artistic expression of the inhabitants of central and southern Italy 3000-300 BC. Ends May 17. Closed Sun and Mon (34 quai de New York)

Louvre Egypt's Role in Western Art 1730-1930. Ends April 18. Closed Tues

Petit Palais Art of the Tainos Sculptors: 85 pre-Columbian masterworks in stone or wood. Ends May 29. Closed Mon

Centre Georges Pompidou The City, Art and Architecture in Europe 1870-1993. Ends May [illegible] Closed Tues

ROTTERDAM

Museum Boymans-van Beuningen Cornelis Cort: engravings by the 16th century Dutch printmaker, notable for their technical virtuosity and wealth of subject-matter. Ends May 1. Closed Mon

SAINT-ETIENNE

Musée d'art moderne Ben Nicholson: retrospective of the British abstract artist. Ends April [illegible] Daily

VENICE

Palazzo Grassi Renaissance Architecture from Brunelleschi to Michelangelo: the show is built around the [illegible] 15th and 16th century architectural scale-models still surviving. These served to give clients some idea of what they had commissioned and as a practical working guide for builders and craftsmen. Pride of place goes to Antonio de Sangallo the Younger's magnificent, newly-restored model of St Peter's Rome - a project much criticised by Michelangelo as straying too far from Bramante's plan and incorporating too many dark corners where undesirables could lurk. Ends Nov 6. Daily

VIENNA

Kunstforum From Chagall to Picasso, Masterworks from the Guggenheim Museum. Ends June 5. Daily

Jüdisches Museum Chagall's [illegible]: 50 [illegible] paintings, watercolours and drawings from the period 1908-20. Ends June 12. Closed Sat

Museum des 20. Jahrhunderts Picasso: 180 paintings, drawings, collages, bronzes and ceramics from the Ludwig collection. Ends June 19. Closed Mon

Albertina The Young Kokoschka: 200 watercolours and [illegible] from the years 1898-1917. Ends May 23. Daily

WASHINGTON

National Gallery of Art Egon Schiele: 70 works by the leading figure of Austrian Expressionism. Ends April 24. Ruth Benedict Collection: 76 prints and drawings from the 16th to 20th centuries, including works by Rembrandt, Canaletto, Tiepolo, Daumier and Moore. Ends June 12. Ornament in European Graphic Art 1300-1800: more than 90 prints, drawings, illustrated books and decorative objects, including works by Watteau, Dürer and Piranesi. Ends Aug 21. Daily

ZURICH

Kunsthaus Richard Gerstl (1883-1908): 70 portraits and landscapes by the least known of the great Viennese Expressionists. Ends May 8. Friedrich Dürrenmatt: paintings and drawings by the Swiss author who died in 1990. Ends May 18. Closed [illegible]

The cost of flying without a harness

US airlines' experience of deregulation bodes ill for European carriers, argues **Richard Tomkins**

It seems heretical to ask the question at a time when the merits of market liberalisation have become so widely accepted. But if deregulation is such a great idea, why is the US airline industry in such a mess?

Barely a day passes in the US without some new continuing turmoil in the industry. This week alone has brought an announcement of another 1,000 job cuts at Continental Airlines as part of a cost-cutting drive, a decision from American Airlines to lay off a further 50 pilots as it continues to shrink its [illegible] network, and a reorganisation plan from America West Airlines aimed at bringing the troubled carrier out of bankruptcy.

Yesterday it emerged that Trans World Airlines, itself only just out of bankruptcy, had said in a filing to the Securities and Exchange Commission that it would have to consider selling all or part of the company if its financial results failed to achieve planned levels this year.

[illegible] have passed since the US air travel market was deregulated: long enough, you might think, for it to have found some sort of equilibrium. Instead, the industry seems to [illegible] in a state of perpetual crisis. In the last four years, its losses have exceeded all the profits made by US airlines since the invention of powered flight. Small wonder that European airlines are unenthusiastic about open skies.

When deregulation came to the US market in 1978, American carriers looked better prepared for it than their European counterparts do today. Admittedly, federal government control over domestic routes and fares had left them with limited experience of competition; but at least they were creatures of the private sector, and generally profitable too.

As expected, deregulation attracted dozens of entrepreneurs into the US airline industry – some starting new services where [illegible] had [illegible] before, and others undercutting fares on existing routes. It also gave the big carriers the freedom to expand services and compete on price.

Over the next few years, lower fares and new services produced a big increase in passenger numbers. But the combined effects of fare cuts and excess capacity sent the industry into heavy losses. Bankruptcy not only took its toll of the new entrants, but started hitting established carriers such as Braniff International and Continental Airlines, too.

All this could have been predicted: deregulation is supposed to eliminate the weak. But the process did not stop there. In spite of a brief period of profitability during the economic boom of the late 1980s, the airline failures went on. By 1991, bankruptcy had claimed 117 carriers including some of the best known in the industry, such as Eastern Airlines, Trans World Airlines and Pan American World Airways.

> **Deregulation was supposed to get rid of the weak. But the process did not stop there**

Today, the US airline industry looks in as bad a state as ever. The competition is crippling, with big carriers besieged by small, low-cost operators attacking the most profitable markets. The industry as a whole lost about $1.2bn last year. This year, thanks to robust growth in the US economy, low fuel prices and drastic cost-cutting by the big carriers, it may show a small profit: but few can foresee a day when the industry will deliver an acceptable return on its assets.

At least two special factors suggest that the US experience might not necessarily be replicated in Europe. One is that overcapacity in the US has been exacerbated by chapter 11 of the US bankruptcy code, which has enabled carriers such as TWA and Continental to [illegible] when they would otherwise have failed.

Another is that the financial [illegible] of the industry is in some measure due to a flurry of highly leveraged buy-outs in the 1980s which left some of the largest carriers heavily burdened with debt.

However, two other factors that have emerged from US experience could apply to a deregulated air travel market anywhere.

First, the airline industry is notoriously cyclical, and each general economic downturn results in a surplus of unwanted aircraft and personnel. This presents entrepreneurs with an opportunity to snap up cheap aircraft and employees and undercut existing carriers with low fares so when things are bad, they get worse.

Second, the airline industry – like one or two other sectors such as newspapers and hotels – seems to be imbued with a perceived glamour that causes otherwise sensible people to enter it and remain in it, regardless of the potential for making money.

Of course, by the only criterion that really matters – customer satisfaction – airline deregulation in the US has been a staggering success. Passenger numbers have risen by more than 50 per cent since 1978.

Why? Full fares are a third lower in real terms, and more than 90 per cent of tickets are sold at discounts averaging two-thirds off the full price. People have 37 per cent more flights to choose from: smaller cities in particular have far more flights to far more places than ever before. The fight for customers has brought innovations such as frequent-flyer programmes and ultra-cheap, no-frills flights. The safety record is first class.

Deregulation should do for Europeans what it has already done for Americans. That is why it is such a great idea. But the US experience [illegible] room for doubt about what it will do to Europe's airline industry. In short, it looks like being a [illegible].

Roland Adburgham on the limited impact of government aid in depressed Welsh communities

Greener valleys singing the blues

It was not unexpected, but the announcement that Tower colliery in Mid Glamorgan will close next week, bringing to an end generations of deep-mining in south Wales, sent reverberations through the surrounding valleys.

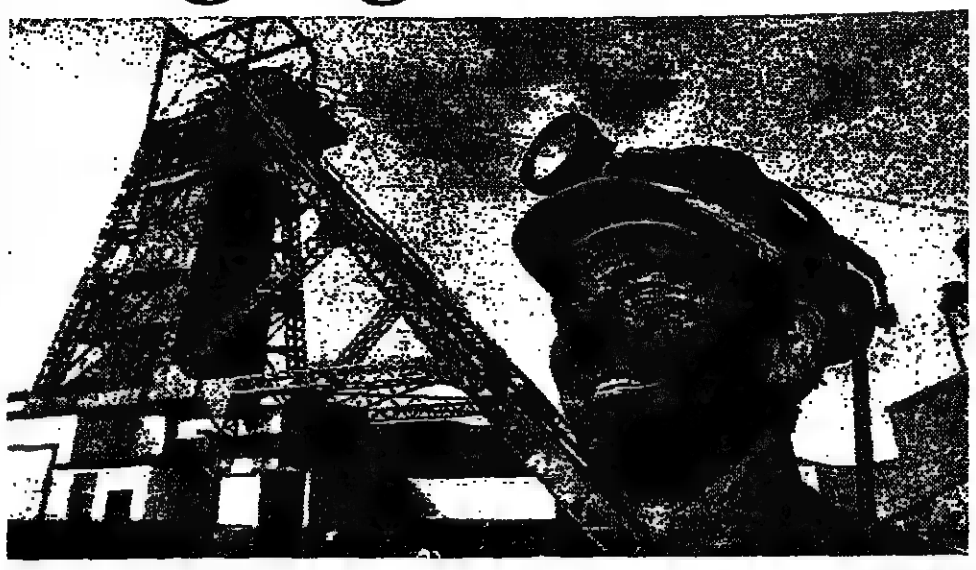
The impact was twofold. There was the symbolism of the closure – south Wales once had a quarter of a million men working in the coal industry – and the defeat of a determined campaign by the local community to save what it regarded as a viable pit. Second, there was the loss of another 200 jobs in an area where nearly one in four of the male workforce is unemployed. There are 30 people unemployed for every vacancy at the local job centre in the Aberdare travel-to-work area, which includes Tower.

By highlighting the valleys' seemingly intractable economic problems, the closure of Tower raises the question of whether the government's interventionist programme for regenerating the valleys has failed. The initiative was started by the Welsh Office in 1988 to alleviate the painful structural changes caused by the rundown of the coal and steel industries. Under its umbrella, more than £770m of public funding has been injected into the valleys, where [illegible] people live.

The programme, launched by Lord Walker, then Welsh secretary and now chairman of English Partnerships, the regeneration agency for England, is currently in a second five-year phase. This was unveiled last autumn by Mr John Redwood, Welsh secretary, as a plan called "building on success".

But the "success" he confidently claimed for the programme was cast into doubt last November in a statistical report published by the government. It found 11 plants had opened in the valleys since 1988, but 138 had closed. Despite the opening of plants by overseas companies such as Hitachi of Japan, the manufacturing workforce had declined at a faster rate than in Wales as a whole.

Lord Walker's original claims for what he described as "the most comprehensive programme for economic growth the valleys have known" have proved too optimistic. He spoke of "pump priming" by the government which would lead to private-sector investment of more than £1bn, and of reducing long-term unemployment by two-thirds. In fact, the Welsh Office now estimates that, in the first five years, private investment totalled less than £700m. Unemployment remains high: the rate in Mid Glamorgan, which covers much of the valleys region, stands at 12.5 per cent, compared with an average for Wales of 10.4 per cent. The most obvious improvement is in the greening of the grime: the appearance of the valleys has been transformed by the reclamation of slag-heaps.



Ashley Ashwood

A miner at Tower colliery, which closes next week bringing to an end deep-mining in south Wales

Mr Redwood's view is that the initiative's impact has been overshadowed by the recession and, without it, the valleys would have been much worse off. He supports continued intervention on the grounds that it was state-owned industries that caused the damage. Yesterday he announced grants totalling £2.5m for projects in five communities. In all, his five-year programme promises a total of more than £1bn of funding. This time, no target has been set for private investment, although Mr Redwood agrees more needs to be attracted.

One entrepreneur who supports the initiative is Mr Alf Gooding, who was born in the valleys. Gooding Sanken, the company he set up with Sanken Electric of Japan to make power supply units, moved last year into a plant in Cynon Valley, in the heart of the region. The factory was built by the Welsh Development Agency – under the valleys initiative, the agency plays the lead role in encouraging inward investment and land reclamation.

The factory employs 100 people and, if the workforce reaches the projected 400, Gooding Sanken can recoup 15 per cent of its [illegible] investment. Without the aid, Mr Gooding says, the factory would not be there. "How can anyone say anything other than that the initiative is doing one hell of a good job?" he asks.

Mr Tony Roberts, chief executive of Cynon Valley council, which has Tower in its district, agrees the initiative has encouraged public and private sector partnerships and helped to put a spotlight on the valleys. But he is flummoxed by what he sees as the illogicality of a national energy policy which results in the closure of Tower colliery. "On the one hand we are being encouraged to play our part in [illegible] tion, but then we have to watch the Tower go the way of market forces. It does not seem sensible."

Sceptics have long argued the initiative is primarily a public relations exercise, a packaging of schemes with little "new" money over and above what would be available elsewhere in Wales. Dr Victoria Winckler, head of policy research at Mid Glamorgan county council, recognises there have been improvements in roads and housing, for example, but argues these might have happened in any case. "As far as we're concerned as a local authority, the initiative has had no identifiable effect." There are still high levels of deprivation and low levels of economic activity, she says. "A lot of people have just moved out of the workforce altogether."

In a recent report, Poverty and Prosperity in Wales, Professor Barry Wilkinson and Mr Jonathan Morris of Cardiff Business School found the poorest parts of Wales were still in the valleys and the disparities worsening.

Professor Wilkinson says migration out of the valleys is continuing. "I think the Welsh Office should be upfront about it. They should acknowledge these areas are not getting any better. I think the government should either pump in real money to preserve the communities, or stop paying lip service to the problem and say that, when Norman Tebbit [former employment secretary] said 'get on your bike', he meant it."

Mr Roberts, of Cynon Valley council, emphasises the need to support existing businesses, but recognises that commuting down the valleys to Cardiff and the M4 motorway corridor – which has been more successful in winning inward investment – is part of the answer. He argues the initiative should improve the road and rail links to help that trend.

This implies accepting that the concept of the old communities, whose raison d'être was the pit at the end of the street, must be consigned to the past. No large plants will provide a substitute: other UK regions can offer similar grants to inward investors. Any incoming industry is likely to be small-scale: the most recent is the Japanese company, TAP Manufacturing, which is building a car parts plant in Rhymney Valley. It will employ only 60 people.

Demand will continue to diminish for the high-wage, skilled male worker. Those jobs which are created are likely to employ more women than men. At Gooding Sanken, 70 per cent of the workforce is female. If part-timers are included, more women are now in work in Mid Glamorgan than men. Outside manufacturing, local jobs are likely to be found in service industries, particularly tourism, which require very different skills to manufacturing. One example is the Rhondda Heritage Park, a museum commemorating what was once the powerhouse of the industrial revolution.

It is a cultural change in which government money is only part of the answer, as the relative failure of the valleys initiative has shown. Two years ago, in a report "Resurrecting the valleys – can existing policies do the job?", Mr Kevin Morgan of the University of Wales wrote: "A new recipe for social and economic regeneration involves far more than additional resources. While finance may indeed be the key ingredient, it is not of itself sufficient. In other words, the future shape of the valleys . . . is partly in our own hands." Today, this has been brought home only too clearly to the Tower miners.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 [illegible] Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Channel 5 must bow to technology

From Mr Richard E Norman.

Sir, As the association of UK consumer electronic manufacturers, we would normally support additional programme services. However, we are against the proposal to go ahead with a Channel 5 licence using existing technology.

First, the frequencies proposed for Channel 5 have been used for 15 years for interconnecting signals from domestic video recorders to television receivers. Interference problems if a Channel 5 service commences will be enormous, involving the retuning of video recorders and TV equipment in up to 5m homes; moreover, there will be a huge problem of cost (perhaps £50 per household), and problems of access to [illegible] installations.

Second, the development of digital TV broadcasting technology is moving very fast and offers the prospect within three to five years of providing six to eight TV channels of normal definition in the frequency spectrum used by a single conventional Channel 5.

Such digital services would cause much less of an interference problem with conventional domestic installations. Also, with the passage of time, such problems would be lessened by the increasing number of domestic installations employing interconnection of domestic video recorders and TV, using the eurosockets now fitted to virtually all video recorders and table model colour television receivers.

In BREMA's view, the case for Channel 5 has now been overtaken by technology.

Richard E Norman,
chairman, British Radio & Electronic Equipment Manufacturers' Association,
Landseer House,
19 Charing Cross Road,
London WC2H 0ES

Price to pay for manipulation

From Mr David Porter.

Sir, ICI's comments about prices in the Electricity Pool ("Power costs anger large users", April 6) deserve little sympathy.

We have what it calls "manipulated prices" because the largest users of electricity, presumably including ICI, somehow convinced the regulator that they pay too much for their power. The response was to persuade the two biggest generating companies to use their market position in a way which would achieve an average annual price of 3.4 pence per unit.

ICI will have to accept that when regulated prices will rise and fall [illegible] such an average is achieved.

There is also an unfortunate side effect in the decision. The manipulated price has been fixed at a level below that needed to secure the development of new power stations. This is hardly the way to hasten the arrival of the regulator's "fully competitive market".

David Porter,
chief executive,
Association of Independent Electricity Producers,
[illegible] Floor, [illegible]
London [illegible]

Predictable reaction

From Mr Adrian A Walton.

Sir, Your publication of the letter (March 30) by Jersey politicians criticising your survey on the island (March 21) has aroused a predictable furore, with accusations of disloyalty and, in the case of the local press, the "sin" of running Jersey down in front of outsiders. [illegible] of a totalitarian than a democratic state. It would be unthinkable for an American to be treated this way for being critical in a foreign newspaper of political life in the US.

Employed people are particularly vulnerable here. The close circle of local and imported managers and businessmen can make it difficult for those who do not "toe the line". They may be denied promotion or even lose their jobs. Any relief in unemployment is at the discretion of local connétables (mayors) or their committees, who can insist on households getting loans on their houses or moving to premises with lower rents. For employers there are plenty of replacements "off the boat" for what is frequently low-paid work in an increasingly expensive place to live.

Adrian A Walton,
"Le Pré",
St [illegible],
Jersey, Channel Islands

Entrenched in the past?

From Mr Harold Quitman.

Sir, Any long-term holders of shares in one of the five major UK composites are entitled to feel aggrieved at the present low value of their investment, with quoted prices little more than they were 10 years ago in many cases. And they have also suffered reduced dividends through massive losses. Although these have been reversed, we are now told that current improved insurance rates may not hold. This bodes ill for the future.

According to prices in the FT's London Share Service of April 2, the five UK composites are worth in total some £12bn. Even if you include the two major UK life companies, Legal & General and Prudential, the total reaches some £20bn. This is only the same figure as that of Allianz alone, and not far in excess of the other London quoted overseas group, American General.

Surely economy of size must indicate that mergers should have taken place long ago. And is it possible that individual groups have desisted from this course of action in order to postpone the inevitable disclosure of trading problems? This might perhaps include large book losses arising from excessive purchases of property at the height of the recent boom, and the effects of high pressure salesmen employed to sell their products on a commission-only basis.

Or is it simply to preserve the identity of the once glorious empires of times gone by – times that are unlikely ever to return?

I suspect there will shortly be some lively annual meetings ahead.

Harold Quitman,
Rookley Farmhouse,
Upper Somborne,
Nr Stockbridge,
Hampshire SO20 [illegible]

British Rail costly by contrast

From Mr Robert Blood.

Sir, Plus ça change. British Rail wants to make us pay 44p a minute for finding out when its trains run ("Inquiries about trains may move to premium phone rate", April 5). Amtrak, its US equivalent, offers an excellent toll-free 800 number, which not only provides timetable information but also allows you to book tickets and reserve seats.

Robert Blood,
Robert Blood Associates,
The [illegible] Factory,
16-18 [illegible] Street,
London W1V 3AD

A card likely to be played

From Mr Ben Temkin.

Sir, I refer to your excellent appraisal of Chief Buthelezi's current position ("The Zulu factor", March 30) and Mr Chris Jones's letter (April 4).

The "Zulu card" is not a new one. Any reference to proceedings in the KwaZulu legislative assembly shows, for example, that the role of the Zulu monarchy was consistently taken into account whenever there were discussions relating to the "homeland's" status in South Africa, in particular, whether or not "independence" should be accepted. Inkatha, later the Inkatha Freedom party, is a political party which, though supporting the monarchy, is quite separate from it. Thus the request that the king and his advisers should participate in the constitutional talks should have been seen as key to deciding the future status of the monarchy and the limits of Zulu autonomy. The denial of his request means that the major political party of the Zulu, the IFP, (with reluctance) was represented at the talks, but the historical claims of the Zulu were left unvoiced.

It is hardly surprising that the African National Congress, with recent hindsight, should have recognised the problem and have played the ethnic card itself.

Ben Temkin,
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2131BC Hoofddorp,
The Netherlands

FINANCIAL TIMES

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Friday April 8 1994

Europe and the Maghreb

Europe's leaders need urgently to cast their eyes southward. The virtual civil war in Algeria and the threat that similar struggles could take place in neighbouring north African countries are matters of concern not just for Europe's Mediterranean states, but for the whole [illegible].

The European Union [illegible] strong interest in ensuring that the Maghreb region retains a pro-western orientation, reinforced by commitment to democracy and open economies. All three principles are put at risk by the increasingly brutal confrontation between Islamic extremists and secular forces in Algeria. Close to 4,000 lives have been lost in the past two years. France recently advised its remaining 2,000 citizens in Algeria to leave.

In January 1992, the Algerian army denied power to the Islamic Salvation Front (FIS) by suspending elections it was expected to win. There is a pressing requirement for a solution under which the FIS [illegible] to participate in the democratic process in exchange for a renunciation of terrorism. Otherwise, the danger will grow of instability spilling over into Morocco and Tunisia – and possibly beyond.

The disorder in Algeria, a particular anxiety for France, the former colonial power, could have repercussions on Italy, Spain and Portugal, which rely on Algeria for natural gas. On a wider scale, the twin dangers of large-scale emigration from north Africa and the spread of regional disturbances to immigrant communities abroad have worrying implications throughout the Union.

This turbulence brings another trial for the EU's nascent common foreign and security policy, already found wanting in the fires [illegible] the former Yugoslavia. The [illegible] can [illegible] little about the root causes [illegible] fundamentalism. But it [illegible] turn [illegible] of [illegible] attention [illegible] from eastern Europe and seek some coherence [illegible] the fragmented [illegible] of [illegible] member [illegible].

The EU's main [illegible] be the [illegible] linking [illegible] political reforms. [illegible] EU says it [illegible] elections [illegible] Algeria within two years, but the possibility cannot be ignored that the FIS may take power sooner. This strengthens the case for speedy steps to restructure the economy, which the army-backed regime has put in abeyance.

An accord between Algeria and the International Monetary Fund is now in prospect which should pave the way for rescheduling the country's $26bn foreign debt and for a balance of payments loan from the EU to offset this year's shortfall in Algeria's oil revenues. The EU should make sure that this IMF process is not delayed or undermined.

In parallel, the Union must give fresh impetus to attempts started five years ago to open up trade with north Africa. This drive has lost momentum as a result of the European recession, Spanish anxiety [illegible] competition [illegible] farmers, and the emphasis on trying [illegible] Europe. Ultimately, [illegible] to ensure a stable, peaceful and prosperous Maghreb will succeed only if the people there see direct rewards from closer ties with Europe. If the EU fails to number north Africa among its most pressing priorities, it will lose its chance – perhaps for a very long time – of influencing events in a region whose destiny will remain closely linked to its own.

Chinese order

President Clinton must view recent events in China with apprehension. They could place him in an appalling dilemma – partly of his own making – when he comes, in early June, around the fifth anniversary of the Tiananmen Square massacre, to decide whether to renew China's most-favoured nation trading status.

He said last year that he would do so only if there were a significant improvement in human rights in China. The latest detentions of dissidents make it no easier for him to assert to the US Congress that there has been such an improvement. He could find himself obliged – by the timetable and conditions which he himself set – to revoke MFN, a step which would have serious consequences for American business, for the Chinese economy and its reform programme, for world trade, and for multilateral co-operation on issues such as nuclear arms.

A great deal can happen in two months, so it is as well to tread cautiously. China may take steps which would make MFN renewal more palatable to the US human rights lobby. Efforts to interpret the latest investigations of Mr Wei Jingsheng, China's most prominent dissident, are made without knowledge of their motivation. But those behind the detentions of Mr Wei and others are clearly unconcerned about reprisals. They may have been persuaded by US businessmen that Mr Clinton would not revoke MFN. Or they may feel that Beijing must not, whatever the consequences, be seen to accede to foreign meddling in its affairs.

Internal stability is of over-riding importance to China's Communist leaders, as the events of 1989 showed. To them, continued dominance depends on preventing the ignition [illegible] any movement which pulls together various strands of disaffection, much of it stirred by the effects of economic reform. While most in the west would not condone Beijing's authoritarian methods of maintaining domestic order, they would also agree that economic reform offers the best chance of leading China to a more prosperous and fairer society.

There are divisions within the Clinton administration about the wisdom of a policy which places annual MFN renewal at the centre of Sino-American relations. The commerce department has made no bones of its belief that US business stands to be seriously damaged by invocation of an arbitrary deadline set in Washington.

To be fair, the administration has moved to broaden the relationship, attempting to make human rights only one among the subjects to be discussed in more frequent two-way visits by officials. It should continue to do so. While making clear its distaste for Chinese methods, the west has an over-riding interest in seeking Chinese participation in trade accords, prevention of nuclear proliferation, and co-operation on specific issues such as North Korea.

Ways of escaping Mr Clinton's MFN dilemma, short of a politically damaging retreat, are not apparent – for example, removal of MFN only from goods produced by the public sector would be difficult to enforce. If he does not succeed, his much-vaunted aim of greater Asia-Pacific co-operation will be as nought. The sympathies of most Asian countries, which accord less priority to human rights than does the US, will lie with China.

The last board

Abolishing Britain's Agricultural Wages Board is, on the face of it, hard to justify on either political or economic grounds. A government which has committed itself to an open-minded consultative process will now find it hard to argue that 10 supporters of abolition out of 4,000 responses represents a groundswell of hostility.

Opponents of abolition – which include both sides of the agriculture industry – say that farming is different. They argue that introducing annual pay negotiations into farms where employer and a few employees live and work side by side would mean an increase in avoidable friction. And given the trend towards an ever shrinking number of higher-paid, multi-skilled workers, abolition will not create many new jobs in the country even if it does make those farm workers with little clout marginally cheaper.

But, as with many such united fronts, outsiders have grounds for suspicion. Agriculture remains rigid with subsidies and cartels. Handing the authority over wage rises to a statutory body is part of a broader pattern which pattern is at last being challenged in everything from the abolition of the Milk Marketing Board to pressures from the Gatt to align agricultural support prices more closely with market prices. Holding on to the wages board could send a signal of tolerance towards a culture which the urban taxpayer has supported for too long.

There may, indeed, be a case for keeping pay negotiations outside the farm, but employers and employees can establish a substitute mechanism for wage setting if the existing system is abolished. It is true that removing the statutory basis would make it possible for opportunists to undercut whatever was agreed voluntarily, but the threat of ejection from the the NFU would be one disciplinary lever. A more telling argument against abolition is that it is unfair that farm workers should bear whatever pain may be as[illegible]ated with deregulation before the farmers have to take the medicine. The government might acknowledge that point [illegible] equity, and finesse political difficulties, by promising that the wages board will be abolished in 1997.

Mood swings and trade winds

Serious tensions in world trade threaten progress achieved in the Uruguay Round agreement, says Guy de Jonquières

When ministers from [illegible] than [illegible] countries gather [illegible] Marrakesh, Morocco, [illegible] for a four-day conference of the General Agreement on Tariffs [illegible] Trade, they will be striving for a [illegible] of harmony. But [illegible] the scenes, [illegible] delegations [illegible] likely [illegible] scowling [illegible] other.

The uncertain [illegible] deep strains in a [illegible] system [illegible] between conflicting impulses. One set is propelling [illegible] towards steadily greater interdependence; but [illegible] to drive [illegible] further apart.

The [illegible] of closer integration has been powerfully [illegible] by [illegible] December's Uruguay Round agreement, which ministers will sign next Friday. [illegible] tious trade liberalisation deal in history, it is expected by some forecasters to enrich the world by about [illegible] annually.

[illegible] take effect [illegible] year, the [illegible] promises [illegible] step up the onslaught on [illegible] frontiers which [illegible] already crumbling under [illegible] impact of technological innovation, freer capital mobility [illegible] instantaneous information flows.

However, achieving these gains is likely to prove far [illegible] painless. The fiercer global competition [illegible] the broader [illegible] impact, [illegible] tougher [illegible] adjust[illegible] it requires. As a consequence, [illegible] governments [illegible] mounting domestic [illegible] interests. One [illegible] week's [illegible] protests against [illegible] round [illegible] India.

Still more serious [illegible] the threat of a lurch towards more aggressive unilateral policies and managed trade, which would [illegible] basic principles of the Gatt system. Its [illegible]sistence has been underlined by [illegible] Clinton administration's recently [illegible] on Japan [illegible] further or [illegible] possible [illegible].

Mr [illegible] Sutherland, director-general of [illegible] Gatt, [illegible] condemned [illegible] trend as misguided and dangerous. "A new outbreak of bilateral trade tensions is putting the achievements of the Uruguay Round to the test even before they are fully operational," he said last month.

Against this background, it is remarkable that a deal has been concluded at all. The more so since recession and stubbornly high unemployment in many industrialised countries make trade concessions harder to sell at home.

As well as cutting tariffs, the round aims progressively to free trade in services – a fifth of total world trade – agriculture, textiles and government procurement. Though concrete liberalisation in some of these sectors has yet to be agreed, all have for the first time been brought firmly within the framework of Gatt rules and disciplines.

The round has also given birth to a new institution, the World Trade Organisation. Due to take over from the Gatt next year, the WTO will have greater authority to adjudicate international disputes and is intended as a permanent forum for trade negotiations.

However, the power of any club to enforce rules is no stronger than its members' willingness to respect them. In future, [illegible] seem likely to be influenced not only by swings in the economic cycle, but by a steadily accelerating shift in the world's economic centre of gravity to the south and east.

Since the Uruguay Round was launched in 1986, a wave of liberalisation has swept across much of the developing world. It has paid off in faster growth and soaring exports, particularly of manufactured goods. As the table shows, gains in Asia have been particularly striking.

The most potent element in the ascendancy of the emerging nations is the explosive growth of China which, on recent trends, could become the world's largest economy early next century. China's weight in international policy will be felt well before then if it succeeds in its plans to join the WTO this year.

It is far from clear that the older industrialised powers which have long dominated world trade policy have yet come [illegible] the implications of these developments. As they confront them, international frictions could intensify. One risk is of a retreat into protectionism. In several richer countries, job losses and declining industrial performance are already blamed on "unfair" competition from emerging economies with lower costs.

Social and political issues [illegible] prove another source of divisions, to judge by the recent row over US attempts to place labour conditions on the WTO agenda. The move has been attacked as a protectionist ploy by developing countries, some of which openly scorn western notions of democratic values and human rights.

However, the fault lines do not only run from north to south. Relations between [illegible] biggest trading powers are also strained – [illegible] obviously by continuing bilateral tensions between Washington and Tokyo.

Dealings [illegible] European Union are [illegible] by bickering over specific issues and by [illegible] general [illegible] suspicion. [illegible] has so [illegible] a common interest in working together [illegible] try [illegible] Japan's [illegible] surplus. Brussels [illegible] deeply nervous about Washington's motives, [illegible] the US [illegible] EU as cowardly and hypocritical.

Underlying this mistrust [illegible] growing uncertainties about [illegible] powers' future policy. The biggest centre on the US, where the Clinton [illegible] embraced a neo-mercantilist approach giving priority to [illegible] promotion [illegible] exports and [illegible] industrial [illegible].

"[illegible] attitudes are undergoing a sea-change," says [illegible] international trade policy expert. [illegible] manifestation [illegible] the administration's [illegible] role in the $6bn sale [illegible] airliners to Saudi Arabia. Another [illegible] its [illegible] from earlier demands that [illegible] Uruguay [illegible] restrict government subsidies [illegible] it wanted the freedom to support US high-tech industries.

The export drive has added impe[illegible] to attempts [illegible] prise [illegible] foreign markets. As impatience for quick results [illegible], [illegible] officials are increasingly disposed to [illegible] unilateral measures [illegible] preferable [illegible] the often [illegible] and unwieldy mecha[illegible] the Gatt.

To [illegible] supporters, [illegible] approach [illegible] a robustly practical defence [illegible] national interest. To its critics, who include many other Gatt members, it [illegible] bully-boy tactics which threaten [illegible] replace multilateral trade [illegible] with [illegible] law of the jungle.

Across the Atlantic, the balance [illegible] more delicately poised. [illegible] of a "Fortress Europe" [illegible] proved overdone. Yet [illegible] take [illegible] Uruguay Round to the brink [illegible] farm trade [illegible] the fragility [illegible].

That it [illegible] and broadly liberal is due partly to the [illegible] Leon Brittan, [illegible] commissioner. But [illegible] sors may not [illegible] as committed to upholding free trade. If [illegible] US [illegible] further [illegible] unilateralism, [illegible] task might [illegible] impossible.

[illegible] is, however, [illegible] no means [illegible] will happen. Optimists point [illegible] Clinton administration, while talking tough, has shrunk from pushing [illegible] disagreements [illegible] point [illegible] crisis.

Furthermore, [illegible] Uruguay Round will [illegible] US [illegible] of [illegible] putes procedures by speeding them up. [illegible] will also curb use of unilat[illegible] Super-301 [illegible] sanctions, though Washington [illegible] it will [illegible] have [illegible] right [illegible] invoke Super-301 in [illegible]tain conditions.

But probably [illegible] strongest safeguard [illegible] integrity [illegible] the multi[illegible] system lies [illegible] changed [illegible] of emerging [illegible]omies. [illegible] suspicious of Gatt [illegible] of [illegible] capitalist exploitation, many [illegible] it [illegible] tee of [illegible] national [illegible].

"At the start of the Uruguay Round, countries such as [illegible] still focusing heavily [illegible] defensive third world agenda," says a [illegible] diplomat in [illegible]. "By [illegible] end, they [illegible] more eager to press ahead with [illegible]tion of trade."

As well as [illegible] their exports, [illegible] disciplines provide [illegible] governments [illegible] useful leverage [illegible] push through politically [illegible] home.

The fact [illegible] these countries are also [illegible] the world's fastest-growing [illegible] should, [illegible] least, give pause for thought to industrialised powers wavering in their commitment to [illegible] trade policies. That, however, seems unlikely to prevent further [illegible] and strains [illegible] Gatt's members. On recent evidence, the road from Marrakesh will [illegible] no [illegible] tortuous than the one leading up to it.

The changing balance within the Gatt

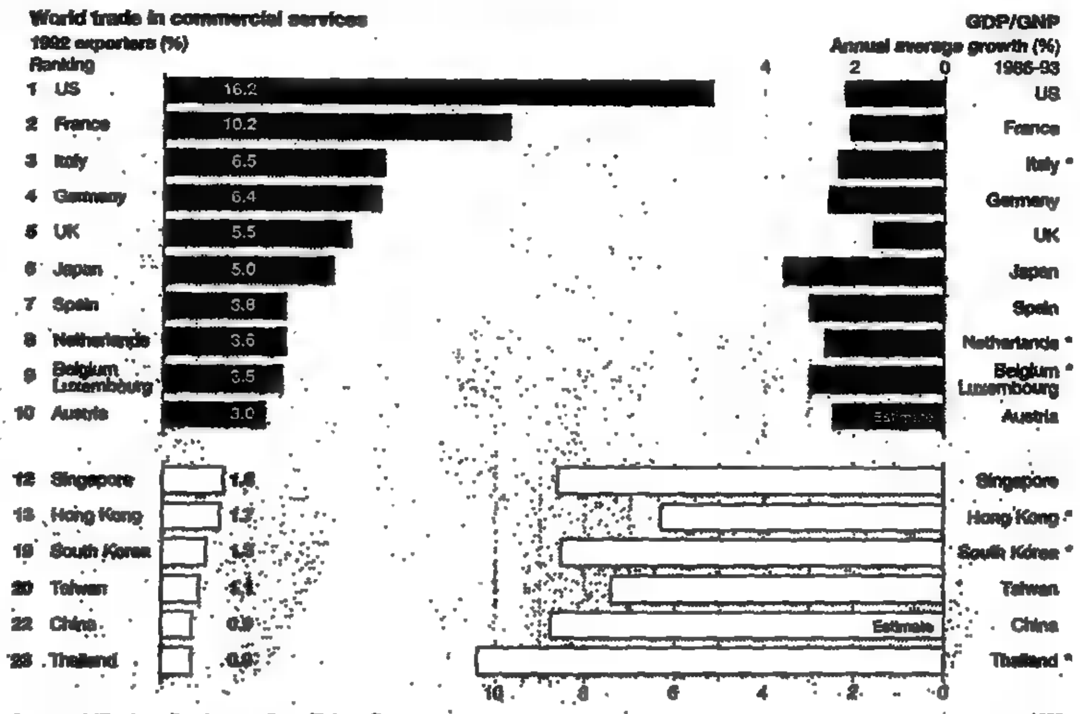
Share of world [illegible] trade

[illegible]	1982	1986	1992
North America	18.6	19.1	21.2
EU*	[illegible]	20.7	20.7
Japan	[illegible]	12.6	12.3
Asia**	12.8	[illegible]	19.8
Latin [illegible]	[illegible]	6.7	5.5
[illegible]	[illegible]	[illegible]	9.0
Other	18.4	19.2	12.6

Imports (%)	1982	1986	1992
North America	19.6	27.0	23.1
EU*	20.6	19.2	21.5
Japan	8.2	7.2	7.9
Asia**	13.2	14.2	21.2
Latin America	6.6	5.0	6.6
Middle East & Africa	13.9	8.7	7.8
Other	17.6	18.6	12.8

* Excluding EU intra-trade

** Excluding Japan & re-exports from Hong Kong



Sources: GATT, Asian Development Bank, EU and Datastream

Permanent chat shop

After [illegible] round [illegible] world trade talks, [illegible] negotiators [illegible] hands and [illegible] "Never again!" Yet a few [illegible] they [illegible] been back [illegible] haggling over another omnibus [illegible].

This time, [illegible] insist, [illegible] really will be different. One [illegible] that [illegible] World [illegible] Organ[illegible] is [illegible] to [illegible] rounds [illegible] by [illegible] as a permanent bargaining forum. [illegible] ministerial conferences [illegible] planned [illegible] to inject regular political impetus.

[illegible] in principle, the Uruguay Round [illegible] supposed [illegible] embrace almost [illegible] important aspect of international trade. However, its ambitious scope has also left much unfinished business to be [illegible] out.

Gatt members have yet to strike the hard deals needed to flesh out their commitment to free trade in financial services, telecommunications and maritime transport. In sectors such as agriculture and textiles, [illegible] agreed, reviews are planned to assess progress or to [illegible] the [illegible] phase [illegible] market opening.

In addition, fresh items are jostling [illegible] a place on the WTO agenda. One is trade and environment policy, on which the Marrakesh conference is expected to set up a working group. The US wants to add to the list workers' rights and competition policy, while India wants a debate on the free movement of people.

These issues are doubly controversial. Not only do they threaten to divide Gatt's ranks, as the rumpus over workers' rights has showed. Some policymakers fear they could further politicise the organisation and lead to conditions being placed on free trade – a development contrary to Gatt's central [illegible] of tearing [illegible].

Yet trade liberalisation is [illegible] evolving in a direction which may entangle it with a wider range of sensitive issues. Increasingly, it is thrusting beyond barriers at borders, such as tariffs and quotas, to [illegible] obstacles deep inside national frontiers, such as [illegible] in [illegible] of [illegible].

[illegible] it seems bound to [illegible] more policies which governments [illegible] ally [illegible] domestic priorities, [illegible] as being within the legiti[illegible] domain of national sovereignty. Sorting out clear dividing lines may not be [illegible].

It is too early to [illegible] how effectively the WTO will [illegible] such questions. Its first task is [illegible] show it [illegible] the [illegible] of [illegible] and breakthroughs which, until now, [illegible] required the political dynamics and [illegible] for complex trade-offs generated by a full-blown round [illegible] world trade negotiations.

[illegible] organisation's success on [illegible] determine [illegible] develops a powerful [illegible] in [illegible] international policymaking or risks becoming – in the words of the old joke about the Gatt – little [illegible] than a general [illegible] talk and talk.

Guy de Jonquières

OBSERVER

Long faces of the law

■ Watch out, Mr Justice Harman. The judge, who gained brief notoriety outside legal circles in 1991 when he kicked a taxi driver in the belief that he was a press photographer, is facing a stiff challenge for the title of Britain's worst judge.

For the second time, Legal Business magazine has voted him England's worst High Court judge. However, he's being pushed hard by Mr Justice Cresswell. In the three years since his appointment to the Bench, Sir Peter Cresswell has been transformed from a brilliant banking QC into a wimp so incapable of making up his mind that it's said "if his wife puts out two bowls of cereal for him, he never gets to work".

Not too wimpish, however, to demand a right of reply: he notes "the comments you rely on seem to be in conflict with the favourable comments in your last survey". A cautionary tale perhaps for Legal Bus[illegible] "highly-rated 'Brat Pack'": Mr Justice Mance, Mrs Justice Arden and Mr Justice Longmore.

Out of the cold

■ UK foreign secretary Douglas Hurd has muffed another chance to wave the flag for British industry on his state visit to Brazil this week. No sooner had his feet hit the tarmac, than he was whisked away to open a new plant making diesel engines under licence from a German-owned subsidiary of BMW. To be fair to Hurd, the deal to build Land Rover engines was clinched before the Germans took over.

Even so, if he had been a couple of weeks earlier, he could have opened a [illegible] British factory – TI Group's new plant [illegible] Curitiba which makes refrigeration parts.

O'Malley was here

■ One of the great trade secrets of the world's industrial paints business can now be told. How did Austin O'Malley, just retired as head of PPG's European automotive paints business, always appear to be in several places at once?

The 65-year-old Irishman developed the technique in the 1960s when working for Pinchin Johnson, which supplied paint to the Ford and Vauxhall factories on opposite banks of the Mersey. O'Malley was the technical support man for both plants and soon found that he could not flit quickly enough between Ford at Speke and Vauxhall at Ellesmere Port to keep both sets of bosses happy.

So when he was in Speke for the day, he persuaded the Ellesmere Port receptionists to put out regular messages over the factory Tannoy calling him to the foyer, or the paint shop office, and so on. The Speke receptionists did the same when he was at Ellesmere Port.

Former colleagues, who tried in vain to find O'Malley in factories where his name was being broadcast, swear the technique made him a household name and helped advance his career up the European paints ladder.

Repeat after me

■ Thank goodness for that. Someone has owned up at last for misspelling the name on Dulwich College's new minibus, referred to in Wednesday's column – and it was not a pupil.

Parents, who have to pay up to £11,670 a year for the privilege of sending their kids to the exclusive London school, will be relieved to learn that the culprit did not have the benefit of a Dulwich [illegible]. It was the fault of Kirkham Minibuses, which supplied the vehicle, and the bursar stresses that he had already spotted the [illegible].

The Lancashire firm, [illegible] known for its craftsmanship than its spelling, is correcting the error and writes to say that it has apologised to the headmaster for "any embarrasment".

Oh dear, Kirkham. Surely you know that there are two s's in ...

Striking out

■ Life begins at 60 – and for no one [illegible] than [illegible] Mitchell. Consider the cornucopia of job opportunities [illegible] on offer to the 60-year-old [illegible] from Maine, the [illegible] majority [illegible] not to [illegible] re-election this year [illegible] many in [illegible] had gone [illegible].

Bill Clinton clearly [illegible] him [illegible] Supreme Court, [illegible] an immediate [illegible] for which, [illegible] politician [illegible] judge, he [illegible] eminently qualified. [illegible] or not he passes up on the opportunity this time round, he could still be the next chief justice, if William Rehnquist hangs up his robe before the next election.

He could also easily be the next secretary of state whenever Warren Christopher moves on, especially now that the once-heir apparent Strobe Talbott has a bit of a blotted copybook. This would [illegible] square a circle, since in 1980 Mitchell took over the Senate [illegible] his [illegible] mentor, Ed Muskie, who replaced Cy Vance at Foggy Bottom.

Baseball wants him to be its commissioner, another [illegible]. An [illegible] fan, [illegible], but points out that managing 30 megalomaniac team-owners might be harder work than managing 99 megalomaniac senators.

With these prospects, it must come as a relief to Messrs Lubbers, Brittan et al that Mitchell has not yet expressed an interest in a certain position in Brussels.

Crumbs

■ Whoops. No, Belgian manufacturer Corona Lotus [illegible] not [illegible] the licence for making fast cars with a typewriter [illegible] away in the glove compartment.

Instead, [illegible] a chocolate-covered [illegible] which sells happily in [illegible] home country, the Netherlands, Luxembourg and France. But before it can be sold in Britain it will be rechristened Spink.

Apparently, the company [illegible] "Spunk" would not be [illegible] received ...

FINANCIAL TIMES
Friday April 8 1994

Early atom tests and 'smart' weapons prospect recedes

French compromise on N-policy

By David Buchan in Paris

Mr Edouard Balladur, [redacted] French prime minister, [redacted] to have [redacted] a compromise with President François Mitterrand [redacted] nuclear [redacted] may [redacted] the country's development of "smart" atomic arms [redacted] the [redacted] for an early resumption [redacted] nuclear testing.

France's defence council decided [redacted] Wednesday that [redacted] entry into [redacted] of [redacted] planned long-range M5 nuclear missile should [redacted] delayed from 2005 to [redacted] The council was meeting to finalise [redacted] government's frame-[redacted] law [redacted] military spending for the period [redacted]

Mr Mitterrand has championed [redacted] M5 missile, [redacted] version [redacted] Trident submarine [redacted] with a range of nearly [redacted] [redacted] maintain France's traditional [redacted] strategy [redacted] threatening any attacker with [redacted] retaliation.

However, [redacted] growing number [redacted] conservative backbenchers, particularly from Mr Balladur's own Gaullist RPR party, [redacted] the M5 will [redacted] in developing smaller, more "useable" [redacted] in [redacted] of potential threats from [redacted] such as Iraq [redacted] Libya.

Mr Mitterrand [redacted] in return Mr Balladur's agreement to prolong the life [redacted] France's land-based nuclear deterrent [redacted] the commissioning of a study into [redacted] an interim missile – [redacted] 6,000km-range M45, which [redacted] fitted [redacted] French nuclear submarines during [redacted] – might be deployed in the early years of the next century.

Mr Mitterrand [redacted] always argued that keeping [redacted] in their [redacted] on [redacted] Pla-[redacted] d'Albion, [redacted] sparsely-popu-[redacted] mountain [redacted] north-east of Avignon, [redacted] to deter-[redacted] attack on [redacted] would [redacted] such damage [redacted] attacker would know [redacted] would [redacted] massive retaliation.

Mr [redacted] an attempt in [redacted] by the previous [redacted] government, [redacted] by [redacted] Balladur's party rival, [redacted] Jacques Chirac, to [redacted] land [redacted] in favour of mobile [redacted]

[redacted] promise could [redacted] underground nuclear testing, [redacted] Mr [redacted] put under [redacted] moratorium in April [redacted] defying much of France's military and [redacted] political establishment. [redacted] moratorium on testing on the French atoll [redacted] in [redacted] south [redacted] had become difficult to reverse politically [redacted] of the international conference [redacted] non-proliferation [redacted] year.

The [redacted] for the M45 [redacted] The M5 missile [redacted] require [redacted] a new [redacted] head, [redacted] testing [redacted] be delayed.

Substantial savings in French defence spending [redacted] unlikely [redacted] be found in [redacted] nuclear field.

By [redacted] new framework law, equipment spending - [redacted] 100.4bn [redacted] year - is [redacted] rise by 0.5 [redacted] a year [redacted] real terms during [redacted] All large existing [redacted] survive [redacted] law, though some [redacted] slowed.

Gatt row on workers' rights settled

By Guy de Jonquières, Business Editor, in London and Gillian Tett in Brussels

Chat shop......................Page 13

The [redacted] developing [redacted] yesterday settled a [redacted] dispute over workers' rights, which had threatened [redacted] overshadow [redacted] signing [redacted] a global [redacted] accord at [redacted] week's ministerial [redacted] ing of [redacted] General Agreement [redacted] and Trade in Marrakech, Morocco.

The [redacted] had [redacted] formal declaration planned for [redacted] meeting should commit [redacted] World Trade Organisation, which [redacted] due [redacted] succeed [redacted] year, to discussing [redacted] trade and labour standards.

The demand was strongly opposed by [redacted] developing countries, [redacted] feared [redacted] was a pretext to erect trade barriers against [redacted] The aggressiveness [redacted] the [redacted] approach [redacted] also crit-[redacted] by the European Union.

In [redacted] compromise negotiated [redacted] Geneva, [redacted] accepted [redacted] declaration [redacted] without any [redacted] of workers' rights. However, other Gatt [redacted] gations have agreed in principle [redacted] should be [redacted] in the preparatory [redacted] which will draw up [redacted] WTO's agenda.

Developing [redacted] have also [redacted] they will not object [redacted] Mr Mickey Kantor, the US special [redacted] representative, stressing [redacted] Marrakech the importance the Clinton administration attaches to labour standards.

The [redacted] other countries [redacted] they [redacted] yesterday's [redacted] "It's enough [redacted] [the issue] [redacted] agenda [redacted] we're beginning," Mr Kantor said. "The [redacted] everybody's biggest [redacted] requiring anyone [redacted] give [redacted] anything substantial," [redacted] delegate from a large developing country.

Washington [redacted] confident that several leading trading powers, including the EU, Japan and Sweden, will support [redacted] call for [redacted] early debate on workers' rights [redacted] WTO preparatory committee. However, it still [redacted] on tactics.

[redacted] officials believe they need [redacted] more to persuade other delegations that they are not seeking [redacted] backdoor way [redacted] erect trade barriers. Mr [redacted] repeatedly emphasised yesterday [redacted] the US would oppose the use of workers' rights [redacted] "protectionist tool."

The issue [redacted] have to compete for attention [redacted] growing [redacted] of other proposals made by delegations, including [redacted] EU [redacted] Japan.

■ The [redacted] was given [redacted] qualified welcome by the International Confederation of Free Trade Unions, the main international trade union body, *writes David Goodhart, Labour Editor*. [redacted] it was disappointed that workers' rights would [redacted] be [redacted] in the ministerial declaration in Marrakech, [redacted] encouraged that governments [redacted] at least a small step towards proper discussion of [redacted] issue.

THE LEX COLUMN

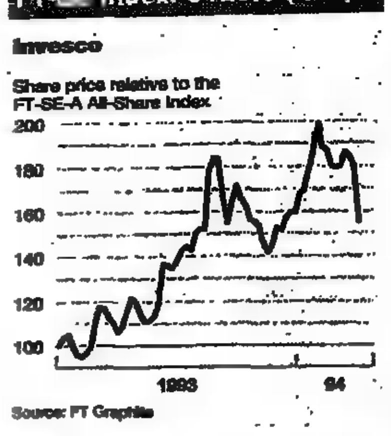
Recovery in the balance

[redacted] though yesterday's UK manufacturing output figures are, they [redacted] little [redacted] how consum-[redacted] will actually [redacted] to this month's [redacted] There [redacted] signs the [redacted] broadening [redacted] into the capital goods sector: output of investment goods rose 1.8 per cent in the [redacted] months [redacted] February. Strip out [redacted] production, [redacted] may well have [redacted] erratic, and there appears [redacted] have been [redacted] healthy [redacted] in output of [redacted] goods as well. Insofar as that leads to higher employment, aggregate personal disposible income will grow, offsetting [redacted] least some of the effect of the tax [redacted]

[redacted] short [redacted] as though [redacted] *taking effect when other* ingredients [redacted] continuing recovery are in place. [redacted] unanswered question [redacted] a collapse in [redacted] confidence [redacted] choke off investment spending [redacted] therefore hopes of a broader-based recovery as well. At [redacted] week's buoyant [redacted] figures for March suggest [redacted] happened yet. And there [redacted] grounds [redacted] believing [redacted] impact of the [redacted] increases [redacted] be [redacted] many [redacted]

Only [redacted] of [redacted] increases will actually [redacted] in monthly [redacted] checks. [redacted] Some, [redacted] levies [redacted] insurance and travel, have yet to strike and will [redacted] absorbed into broader price [redacted] ments anyway. Meanwhile, a greater sense [redacted] job security [redacted] higher turn-[redacted] in the housing market may encourage [redacted] borrow [redacted] case [redacted] balance of payments could displace [redacted] confidence [redacted] the principal economic worry. That [redacted] make it [redacted] harder for the government to curry favour [redacted] vot-[redacted] European elections by cutting [redacted] rates.

FT-[redacted] Index: 3129.0 (-2.5)



Source: FT Graphite

recovery comes. Earnings performance [redacted] be pedestrian [redacted] or [redacted] years.

With contracting remaining difficult it is odd that Amec's shares are trading [redacted] premium to pure UK house-[redacted] They [redacted] more obvious early beneficiaries of low [redacted] and economic recovery. Construction companies also generate uncertainty [redacted] timing [redacted] profits over long contracts [redacted] profits hard [redacted] The sector as [redacted] whole might benefit [redacted] an accelerated [redacted] towards greater disclosure. [redacted] breakdown [redacted] Amec's North [redacted] mechanical engineering [redacted] might help [redacted]

Even [redacted] as [redacted] points out, [redacted] capacity in construction [redacted] likely [redacted] dog the industry for some time, making positive surprises even [redacted] likely. [redacted] might [redacted] greater justification for [redacted] year's [redacted] if [redacted] managed [redacted] than a 2 per [redacted] annual compound capital growth [redacted]

Amec

Given [redacted] at the interim stage [redacted] City expected Amec [redacted] in 1993, a full year profit of £21m is a real disappointment. That is especially *true because the company looks* unlikely to beat the £30m target this year, despite [redacted] gathering improve-[redacted] in the UK housing market. The result only underlines how far market enthusiasm for cyclical stocks *exceeded their capacity* [redacted] *deliver*. [redacted] only are contracting profits much further out in the economic cycle; the [redacted] charges for companies which have run up losses in the recent past will rise as

Invesco

With [redacted] legacy [redacted] Maxwell now behind it, Invesco deserves to [redacted] judged squarely on [redacted] merits [redacted] fund manager. Yesterday's 10 [redacted] cent *fall in* [redacted] the market's judgement is not favourable. With 80 per cent of its business in the US – where last year's bull run in investment markets [redacted] less pronounced – funds under management [redacted] *never likely* [redacted] growth [redacted] by [redacted] in the sector. [redacted] worrying is [redacted] in expenses, [redacted] full-year profits [redacted] expectations.

There may be special factors [redacted] work. [redacted] in systems now might attract more pension fund cli-[redacted] in future. [redacted] it would be [redacted] ening [redacted] some [redacted] results from the company's declared determination to get [redacted] grips with costs. A *European operating profit* [redacted] £4m [redacted] especially disappointing. If Invesco can [redacted] on costs, though, it looks well placed: While UK [redacted] memory [redacted] past [redacted] will linger, [redacted] in unit trusts will take [redacted] *to rebuild*, Invesco's position [redacted] international manager serving [redacted] pension funds should leave scope [redacted] growth.

In the short-term, [redacted] sensitivity of fund managers' [redacted] movements in the equity market is a reason for caution. Before yesterday [redacted] had already fallen by 20 per cent since the stock market turned in early February, in common with most of its peers. If [redacted] wants [redacted] evolve beyond the status of [redacted] geared play on equities – as M&G did for [redacted] while in the 1980s – it still has something [redacted] prove.

Credit cards

Barclaycard's [redacted] balances from other cards [redacted] discount looks baffling when it already has a market [redacted] of [redacted] by value [redacted] recruiting new [redacted] at [redacted] rates. There [redacted] immediate [redacted] from [redacted] market - Barclaycard's [redacted] with Ford [redacted] to have [redacted] an effective *response* [redacted] Vauxhall's [redacted] card. Then again, the offer is not quite as generous as it looks. [redacted] many low risk [redacted] around who are also feck-[redacted] enough [redacted] run [redacted] balance of at [redacted] on their credit cards when cheaper [redacted] borrowing [redacted] available elsewhere. Barclaycard's [redacted] paign [redacted] keep [redacted] public profile up, but [redacted] offer looks unlikely to cost [redacted] much.

Still Barclaycard's tactics [redacted] reveal a reluctance to take [redacted] board the [redacted] its business might grow [redacted] if it [redacted] prepared to cut [redacted] prices. There must be [redacted] resis-[redacted] *to an annualised percentage rate* of nearly 22 when base rates [redacted] 5¼ per cent. Since [redacted] banks want [redacted] lend [redacted] the consumer sector offers a [redacted] prospect of loan growth [redacted] the corporate sector, [redacted] *chances* [redacted] *that margins on credit* card lending will come under pressure. At [redacted] point profits [redacted] to [redacted] if there [redacted] some [redacted] of bad debts in the recovery.

Israel seals off occupied territories

Continued from [redacted] 1

atmosphere of real war which *will engulf* [redacted] *Zionist* [redacted] and [redacted] commanders in the coming days."

Hamas, which bitterly opposes [redacted] Israeli-PLO [redacted] agreement and wants [redacted] build [redacted] Islamic *state in all* [redacted] *historical* [redacted] *of* Palestine, said at [redacted] four [redacted] attacks were being prepared and ordered Jewish settlers [redacted] leave their homes.

In Israel, right-wing opposition leaders have [redacted] *for* [redacted] *suspen*sion of the peace talks and the resignation of Mr Rabin.

The government has said [redacted] determined [redacted] on with [redacted] aimed [redacted] implementing the [redacted] accord. However, *it remains* unlikely that both sides will [redacted] sign a security agreement by [redacted] Wednesday's deadline [redacted] the completion [redacted] an [redacted] troop withdrawal from the [redacted] Strip and [redacted] Bank town of Jericho.

Bosnian Moslems announce ceasefire

Continued from Page 1

troops [redacted] reported [redacted] gaining *ground in central Bosnia*, [redacted] international pressure to [redacted] on the plight [redacted] Gorazde, one [redacted] three so-called 'safe [redacted] in [redacted] the republic.

But the mild language of a UN *Security* [redacted] night, which stopped well short [redacted] threatening air [redacted] against Serb forces surrounding Gorazde, [redacted] disappointed the Bosnian government.

[redacted] *Anthony Lake, President* Bill Clinton's national security adviser, said the US had not ruled out taking military action [redacted] defend Gorazde [redacted] other besieged Bosnian cities.

Mr Radovan Karadzic, [redacted] Bos*nian* [redacted] *leader, expressed* impatience [redacted] his adversaries. "If the Moslems [redacted] not immediately stop their [redacted] along all confrontation lines, [redacted] will order [redacted] all-out counter-offen*sive*, [redacted] *then* [redacted] *Security* Council [redacted] them," he said. The Serbs maintain that their [redacted] sive in the Gorazde area, in [redacted] people have been killed or injured, was in [redacted] *to advances in central* Bosnia by Moslem infantry, whose effectiveness is growing [redacted] the weather improves. [redacted] Rose has accepted this contention, [redacted] are reports of unhappiness among some of his *UN colleagues about his* [redacted] ent determination to play [redacted] the [redacted] in [redacted] Serb [redacted]

[redacted] UN [redacted] said [redacted] meeting [redacted] Rasim Delic, *the head* [redacted] *the Bosnian* [redacted]: "I am disappointed that the war will go [redacted] long as we continue [redacted] this level. We [redacted] ties followed by [redacted] peace [redacted] *cess, and that's* [redacted] *we are try*ing to achieve." [redacted] Delic told reporters: "There is [redacted] going on."

Growth in UK output confirms recovery

Continued from Page 1

[redacted] in the UK have reached their low point.

According [redacted] the figures, much [redacted] strength in manufacturing is due to higher output [redacted] investment goods rather than [redacted] goods.

Investment goods output rose 1.1 per cent in February after a 4.1 [redacted] increase in January. In the [redacted] three [redacted] it was 1.8 per [redacted] up on [redacted] previous three months, [redacted] mainly by a sharp rise in the output of electrical goods.

By contrast, consumer goods output rose [redacted] cent in February, after [redacted] 0.1 [redacted] cent increase in January. It was up 0.6 per cent on the [redacted] months, with a drop in car production offset by rises in output elsewhere.

Analysts said yesterday's [redacted] cial figures finally confirmed the optimism shown in recent industrial trends surveys by the Confederation of British Industry and others.

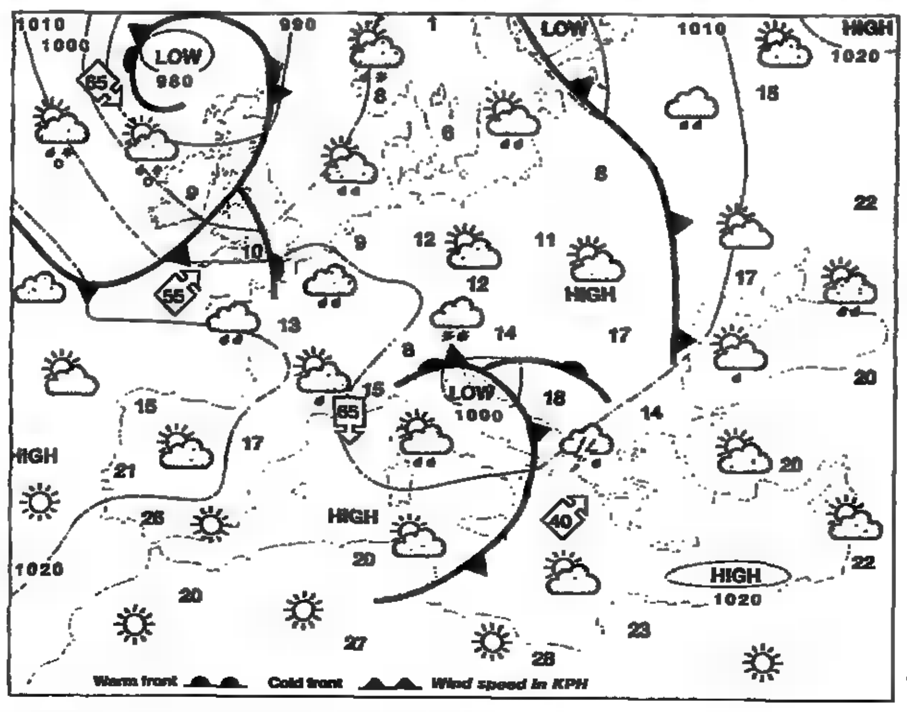
FT WE[redacted]

Europe today

[redacted] low pressure system [redacted] will bring numerous [redacted] France, [redacted] Alps [redacted] Italy. During the afternoon, the showery conditions will spread [redacted] Greece [redacted] southern Balkans. The [redacted] Germany will [redacted] sunny periods [redacted] by evening rain. England, [redacted] and southern Ireland will [redacted] moderate morning rain. [redacted] the afternoon, clouds will [redacted] and blustery April showers will develop. Northern France will be rainy [redacted] but Spain will [redacted] dry with sunny conditions in the south. Another [redacted] rain will [redacted] Russia [redacted] expected in [redacted] Scandinavia. Southern Scandinavia will have wintry [redacted] and periods [redacted] sunshine.

Five-day forecast

Low pressure [redacted] *will remain* [redacted] *over* [redacted] and [redacted] North [redacted] As [redacted] result, [redacted] Europe will [redacted] an unsettled and cool weekend. There will be a mixture [redacted] sunshine and [redacted]espread showers, [redacted] with hail [redacted] thunder and [redacted] *snow* [redacted] *higher ground. South-east* Europe including Italy will [redacted] unsettled but Spain [redacted] Portugal will [redacted] dry and sunny.



Situation at 12 [redacted] *Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands*

TODAY'S TEMPERATURES

Maximum Celsius

City		°C
Abu Dhabi	sun	31
Accra	fair	31
Algiers	sun	20
Amsterdam	fair	10
Athens	fair	18
Atlanta	sun	22
B. Aires	fair	19
B.ham	rain	10
Bangkok	fair	36
Barcelona	fair	17
Beijing	fair	18
Belfast	shower	8
Belgrade	fair	17
Berlin	fair	13
Bermuda	sun	21
Bogota	shower	17
Bombay	sun	32
Brussels	shower	11
Budapest	cloudy	15
C.hagen	fair	9
Cairo	sun	26
Cape Town	fair	24
Caracas	[redacted]	[redacted]
Cardiff	windy	[redacted]
Casablanca	sun	19
Chicago	rain	14
Cologne	fair	12
D' Salaam	shower	31
Dakar	sun	27
Dallas	sun	22
Delhi	sun	32
Dubai	sun	30
Dublin	shower	10
Dubrovnik	thund	14
Edinburgh	shower	[redacted]
Faro	[redacted]	[redacted]
Frankfurt	shower	12
Geneva	shower	7
Gibraltar	[redacted]	21
Glasgow	hail	[redacted]
Hamburg	fair	[redacted]
Helsinki	rain	7
Hong Kong	fair	[redacted]
Honolulu	[redacted]	[redacted]
Istanbul	shower	14
Jersey	[redacted]	11
Karachi	[redacted]	31
Kuwait	fair	[redacted]
L. Angeles	cloudy	[redacted]
Las Palmas	[redacted]	21
Lima	cloudy	[redacted]
Lisbon	sun	[redacted]
London	[redacted]	12
Lux.bourg	shower	[redacted]
Lyon	shower	[redacted]
Madeira	fair	[redacted]
[redacted]	fair	20
Majorca	sun	18
[redacted]	fair	20
Manchester	rain	10
[redacted]	[redacted]	33
[redacted]	[redacted]	20
Mexico City	[redacted]	23
Miami	fair	29
[redacted]	shower	19
Montreal	sun	7
Moscow	cloudy	15
[redacted]	rain	8
Nairobi	thund	27
Naples	shower	14
Nassau	fair	31
[redacted] York	sun	12
Nice	shower	16
Nicosia	fair	21
Oslo	fair	7
Paris	fair	13
Perth	sun	28
Prague	cloudy	12
Rangoon	sun	35
Reykjavik	hail	3
Rio	thund	27
Rome	shower	15
S. Frsco	rain	15
Seoul	fair	14
Singapore	shower	32
Stockholm	cloudy	6
Strasbourg	shower	10
Sydney	sun	24
Tangier	sun	20
Tel Aviv	sun	22
Tokyo	shower	12
Toronto	fair	10
Vancouver	rain	13
Venice	rain	15
Vienna	cloudy	13
Warsaw	fair	11
Washington	sun	15
Wellington	cloudy	16
Winnipeg	cloudy	7
Zurich	rain	8

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FINANCIAL TIMES
COMPANIES & MARKETS
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Friday April 8 1994

IN BRIEF

Laidlaw laid low by LA earthquake

Laidlaw, the Ontario-based waste and passenger services group, blamed the Los Angeles earthquake, harsh winter weather and regulatory problems at its flagship hazardous waste dump for a 40 per cent drop in earnings in its second quarter. Page 16

Pacific Telesis spins off wireless unit
US telecoms operators are hastily reassessing their prospects amid regulatory and technological upheaval. This week sees the spin-off from Pacific Telesis, the San Francisco-based Bell company, of its wireless business into a separate company – AirTouch Communications. Page 18

Citibank takes hold in Japan
Japan has only 60 "hole-in-the-wall" cash machines available 24 hours a day. All 60 belong to Citibank, the US bank. It has been the only foreign group to set up a branch network in Japan and its retail operations there should move into profit next year. Page 19

Prague bonds to go underground
The City of Prague is preparing to launch its first bond offering since the 1920s to help finance the modernisation of its underground transport system, which was built during Communist rule. Page 20

Hewden-Stuart forecasts upturn
Hewden-Stuart, the UK's biggest independent plant hire company, is still confident that 1994 will see the start of a national recovery in the building and construction industry. The Glasgow-based group reported a 60 per cent rise in pre-tax profits to £19.1m for the year, on sales up 21 per cent to £200m ($292m). Page 21

Wolseley pipes into Austria
Wolseley, the expanding UK heating and plumbing distributor, has announced the acquisition for £56.9m of the OAG Group, the biggest distributor of plumbing supplies in Austria. Page 21

Publisher to come to market
Cassell, the publisher which recently bought the Victor Gollancz fiction imprint, will come to the market next month through a placing which will give the group a market capitalisation of about £15m. ($22m). Page 22

US division boosts Invesco
Invesco, the international fund management group, reported sharply improved profits after a year of worldwide restructuring and negative publicity in the UK. Pre-tax profits for the year were £33.4m ($48.8m), against £12.6m last time with profitability concentrated in the US. Page 23

Brammer nudges ahead
Brammer, the UK industrial services group, reported a marginal increase in pre-tax profits from £8.22m to £8.28m ($12m) in the year to end-December. Page 23

Coffee reaches new high
Coffee prices reached a new high yesterday as July futures on the London Commodity Exchange soared $33 a tonne to close at $1,440 a tonne. Page 24

Zurich rides a wave
The Zurich bourse was higher for the third day in a row, as financial stocks continued to enjoy their new-found favour. The rally in Milan also continued. Back Page

Companies in this issue

Market Statistics

Chief price changes [illegible]

FRANKFURT (DM)							
[illegible]				Rises			
[illegible]	180	+	[illegible]	Accor	709	+	[illegible]
BHF Bank	450	+	12	EBF	[illegible]	+	32
Degussa	551	+	111	Ecco	[illegible]	+	25
Falls				Falls			
[illegible]	288.5	–	5.5	Canal	950	–	[illegible]
KHD	139.8	–	6.1	Geophysique	568	–	18
Zanders	223	–	12	UAP	175	–	5.5
NEW YORK ($)				TOKYO (Yen)			
Rises				[illegible]			
Dillard Dept	35⅞	+	1⅛	Arabian Oil	5000	+	350
Gap	48¾	+	2	Central Glass	414	+	16
Sun Microsys	25⅞	+	2⅛	Daimaru Inc	879	+	59
Wal-Mart	26½	+	⅛	Meriden Corp	733	+	[illegible]
[illegible]				Teijin	515	+	29
Allied Signal	35¾	–	1	Falls			
Caterpillar	117	–	2⅛	Aoyama Trding	5200	–	310
PARIS (FFr)							

New York prices at 12.30pm.

LONDON (Pence)							
Rises				Warner Estate	261	+	10
Alexandra Wkwr	215	+	10	Wilkes (J)	177	+	17
BP	371	+	14	Falls			
Baltica [illegible]	[illegible]	[illegible]	[illegible]	Blue Circle	[illegible]	–	[illegible]
Electron House	144	+	9	CarnaudMetalbox	2075	–	169
Fisons	139	+	7	Forte	239	–	[illegible]
GKN	575	+	21	[illegible]	172	–	22
Hewden-Stuart	161	+	9	Neotronics	84	–	32
Hockerprint	28	+	3	[illegible]	664	–	27
Lonrho	145½	+	7	RMC	843	–	29
Mid-States	104	+	7	Wardle [illegible]	435	–	27
Owen Robinson	30	+	4	Wimpey (G)	187	–	8
Pittards	59	+	4				
Trafficmaster	[illegible]	+	23				

Daimler slashes its dividend by 38%

By Christopher Parkes in Frankfurt

Stark contrasts in the state of health of Germany's financial and industrial [illegible] tors were highlighted yesterday [illegible] the announcement of a 38 per cent cut [illegible] Daimler-Benz's dividend and a [illegible] per cent increase at Dresdner Bank.

Daimler, the country's largest industrial concern, and [illegible] to Mercedes-[illegible], AEG and Deutsche Aerospace, blamed difficult business conditions and heavy restructuring costs for a decision to slash its payout from DM13 to DM8.

The first reduction since the [illegible] world war [illegible] approved at a meeting [illegible] management and supervisory [illegible] yesterday, which also agreed to go ahead with a rights issue. Details of 1993 earnings will be presented at a [illegible] conference next Tuesday.

Dresdner Bank, second in [illegible] only [illegible] Deutsche Bank, will give details today on profits and its decision to raise its dividend from DM12 [illegible] DM13.50.

Markets had been primed for Daimler's reduced payment since last autumn, when executives, hitherto optimistic about dividend prospects, had a change [illegible] heart. This followed employee unrest at warnings [illegible] further job-cuts and the closure, by [illegible] Aerospace, of at least six [illegible].

Mr Edzard Reuter, group chairman, said then the company would try to avoid "bitter disappointments" [illegible] shareholders, but added that employees could not be expected to be the only ones [illegible] make sacrifices. Many analysts suggested a payment of DM10 would have been appropriate.

Dresdner's dividend matched most expectations, which had hardened after Deutsche Bank last week reported a 16 per cent increase in operating profits, despite provisions for bad debts of more than DM3bn ($1.8bn). Deutsche is house bank to thousands of companies which have been badly squeezed by recession. Dresdner, smaller but [illegible] exposed to the industrial slump, [illegible] expected [illegible] show a relatively better result.

This [illegible] the banking sector is likely to show improved, though less sparkling, earnings. Many industrial companies, with restructuring costs already covered and foreign demand picking up, are forecasting sharp profit increases.

[illegible] Daimler's improvement this year is [illegible] from [illegible] vehicles arm, which yesterday announced a 34 per cent rise in first-quarter unit sales in the US.

Markets, Back Page

Olivetti bonds to fund mobile telephone deal

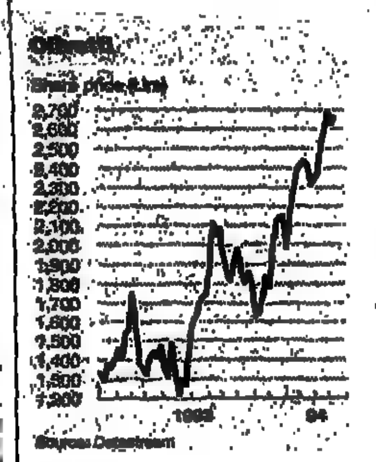
By Andrew Hill in Milan

Olivetti, the [illegible] information technology group, could [illegible] more than L500bn ($302m) in a convertible [illegible] issue announced yesterday, to [illegible] the new mobile telephone [illegible]ture in which it is one of the main [illegible].

Olivetti [illegible] that it had cut net losses to L465bn in 1993, compared with L650bn the previous year, and increased sales for the first time since 1990. Net debt was cut to L796bn from L960bn.

The group will ask shareholders at a special meeting on May 11 and 12 to approve the issue of up to 250m shares as part of a convertible bond issue to institutional investors. The price [illegible] issue has yet to be fixed, but at current market values should raise more than L450bn.

Last year the company, headed by Mr Carlo De Benedetti, pushed through a L902bn rights issue to fund expansion into the information technology and telecommunications sectors, provoking a sharp drop in [illegible] share price.



Source: Datastream

The computer group [illegible] celebrating [illegible] in winning [illegible] for Italy's GSM mobile [illegible] network, [illegible] the [illegible] Omnitel-Pronto Italia [illegible]tium. Omnitel will have [illegible] some L3,000bn to [illegible] network, [illegible] Olivetti will provide 35 per cent, [illegible] line with its [illegible] in [illegible] consortium. Analysts [illegible] the group may [illegible] further loans [illegible] cover the investment.

In 1993 Olivetti failed to break even at the operating level as it had hoped to do. It was hit by the [illegible] devaluation of the Italian [illegible] which increased [illegible] components. The company hoped to break even in 1994.

Olivetti reduced its opera[illegible] losses slightly [illegible] year [illegible] L229bn [illegible] L206bn, on sales [illegible] L8,613bn compared with L8,035bn. The [illegible] sales had [illegible] to increase in [illegible] first quarter of [illegible], raising hopes [illegible] the computer and information technology [illegible] be starting to pull out [illegible] international recession.

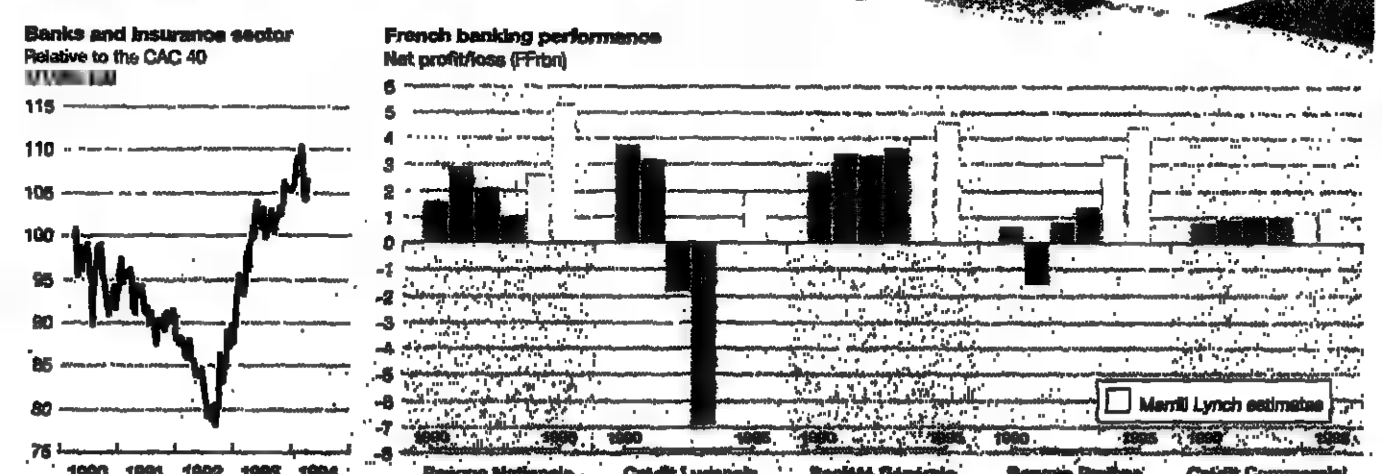
Olivetti also [illegible] to complete its restructuring programme in the first half of this year. Since 1989, the group's workforce has been cut from 57,000 to 35,000, and last year's redundancy package cost the company L255bn in extraordinary charges.

The computer group believes it is now emerging from its recent difficulties, which culminated in last year's admission by Mr De Benedetti that the group paid bribes to the Italian Posts Ministry to avoid being cut out of lucrative contracts. Mr De Benedetti was arrested in November but later released and no further action has been taken.

Cerus rights issue, Page [illegible]

Alice Rawsthorn sees life in the banking sector after Crédit Lyonnais

French banks: 1994 should see the start of recovery



Source: Company reports, Merrill Lynch

Invalid on road to renewed health

For the past few weeks, the French banking industry has been dominated by the political rows over the government's FFr44.9bn ($7.7bn) rescue deal for Crédit Lyonnais. But behind the scenes, France's other big banks have quietly been healing their wounds after two bruising years of recession.

Suez, the holding company with extensive banking interests, earlier this week confirmed that it came back into the black last year. Paribas, Société Générale and Crédit Commercial de France recently announced increased profits for 1993. Banque Nationale de Paris (BNP) was the only one of the large banking groups to suffer a fall in profits last year.

French banking is still in a fragile state as illustrated [illegible] by the government's [illegible] that [illegible] postponing [illegible] privatisation [illegible] Banque Hervet, a small commercial bank, until [illegible] had completed a FFr750m recapitalisation. But the economy is now creeping out of recession and, judging by the cautiously confident tone [illegible] announcements, the banking industry is on course for recovery.

"France has just had its worst recession since the war and all the banks have suffered," said Mr Sasha Serafimovski, banking analyst at Merrill Lynch. "But 1994 will be a much easier year for the industry and we should see the start of a recovery."

One of the main problems for France's banks during the early 1990s has been the decline in demand for credit – the first since the second world war – reflecting the impact of high real interest rates and the low level of confidence among companies and consumers.

The credit squeeze, which followed a buoyant era of double-digit growth in credit during the [illegible], has imposed intense pressure on margins by forcing the banks to fight for share in a shrinking market. Their only consolation last year was a windfall profit from their trading activities during the currency crisis.

In theory the level of credit demand should increase when the economy picks up. But in practice there is usually a time-lag [illegible] confidence [illegible]. The French banks also face the problem of a highly liquid corpo[illegible] sector, which means that [illegible] will wait until they have [illegible] capital before borrowing again.

There is, however, [illegible] hope of an improvement in [illegible] demand this year. Meanwhile the banks hope to improve productivity. French banks have high overheads by international standards. Ms Sheila Garrard, banking analyst at Lehman Brothers, [illegible]mates [illegible] operating [illegible] account for 67-68 per cent of the [illegible] income of both BNP and Société Générale, against 65 per cent for comparable banks in the UK and Switzerland, or 60 per cent in Spain.

So far the banks have been hampered in their cost-cutting by strict French labour [illegible] and tough trade unions. However Crédit Lyonnais last month unveiled a plan to reduce its 38,449-strong French workforce by 10 per cent over three years.

Mr Jean Peyrelevade, chairman of Crédit Lyonnais, claims that the group is in such a precarious state that staff have no choice [illegible] accept. If he [illegible] in implementing his proposals, other French [illegible] will [illegible] in a stronger position [illegible] heavier cuts from their employees.

Meanwhile the banks are hopeful that 1994 will herald the end of their difficulties in the property market. Commercial property has been one of the chief casualties of the French recession. A number of banks, such as Crédit Lyonnais, Hervet and some Suez subsidiaries, have been forced to make heavy write-downs on property-related loans and investments.

However the banks will almost certainly have to make further write-downs on non-performing corporate loans as the rate of business failures tends to remain high beyond the end of recession as small companies hit cashflow crises in the struggle to meet increased demand.

"We're certain to see better results for the French banks in 1994, but that's only the start," said Merrill Lynch's Mr Serafimovski. "The real recovery will come in 1995 and 1996. The question is how big it will be."

Banesto bidders angered by 'inadequate information'

By David White in Madrid

The [illegible] to control Banco Español de Crédito (Banesto) following the Spanish banking group's financial restructuring is becoming increasingly acrimonious, with complaints from potential bidders that they have been given inadequate information [illegible] Banesto's business.

Up to five other leading Spanish banks are in a position to bid for the controlling [illegible] in [illegible]esto after buying documentation on the [illegible] from the Deposit Guarantee Fund, the body which temporarily holds 73 per cent as a [illegible] of a capital [illegible] approved last month.

Three – Banco Bilbao Vizcaya, Banco Santander and the semi-state owned Argentaria – are considered firm [illegible]. Banco Central Hispano, created by a merger three years ago, has indicated it is not contemplating taking a controlling [illegible] but might be interested in parts of [illegible] Banesto empire.

The fifth bank, Banco Popular, which is still undecided whether to bid, has stated publicly that it has "a long list of unanswered questions" to put to Salomon Brothers, the US bank which is advising the Bank of Spain and the Deposit Guarantee Fund on the sale.

Other banks have complained privately [illegible] the paucity [illegible] information in the documents, for which each bank has paid Pta100m ($715,000). Complaints refer [illegible] details [illegible] questionable loans, [illegible] occupy only two pages in the eight-volume dossier, activities of subsidiary companies and foreign currency positions.

Argentaria said that with the information available, [illegible] was "impossible to make an adequate [illegible]" in [illegible] to put forward a bid. Other banks declined to comment officially but were also believed to be seeking further financial [illegible]

A lobby is building up against control of [illegible] by Argentaria, which risks being perceived as an indirect nationalisation.

Potential bidders must submit any further questions [illegible] the sale by this afternoon, and are due to notify the Bank of Spain of their intentions and planned partnership arrangements by March 18, a week before the deadline for bids. A decision is due on May 9.

Bidders must make an offer for the whole of the 73 per cent stake, a 13 per cent slice of which is [illegible] existing [illegible]holders.

BP investors snipe at bonuses

By Robert Corzine in London

Weak crude oil prices are the usual cause of oil company directors squirming in their seats. Yesterday it was the turn of British Petroleum shareholders to provide the irritation when they challenged the BP board over executive remuneration.

The most contentious issue at yesterday's annual meeting, [illegible] the Barbican in London, centred on a resolution to extend a 10-year-old share option scheme for middle-ranking BP managers. Many shareholders saw the issue as a rallying point for opposition to extensive executive incentive schemes at a time when BP's dividend is frozen.

There was never any doubt that Lord Ashburton, chairman, would overcome the sniping from the floor. He did, after all, have more than a billion proxy votes in favour of the resolution.

But the merits of the resolution were soon swamped by [illegible] expressions of shareholder concern over other incentive schemes, including one covering BP's top 80 managers.

Questioning by a member of the UK Shareholders [illegible] took [illegible] toll. Lord Ashburton conceded that the draft share option scheme had "technical shortcomings". He also agreed that a review of the plan by the Association of British Insurers had criticised it for a lack of performance criteria.

The shareholders' association spokesman claimed the plan violated the Cadbury code on corporate governance, because it failed to provide "a full and clear statement of the directors' criteria on which performance would be measured". He also argued that the directors on BP's compensation committee were not sufficiently independent. Other shareholders expressed concern at the total number of shares – more than 84m – on offer through the employee schemes.

Lord Ashburton said base salary accounted for only 50 per cent of the total remuneration of BP's top executives, with bonuses and share schemes accounting for the rest.

He said bonuses paid to executives last year were "materially higher than those paid the year before because the company's results were materially higher". The dividend would be raised when "trading conditions ... and prudence" made it possible.

Cerus announces FFr858m rights issue plan

By John Ridding in Paris

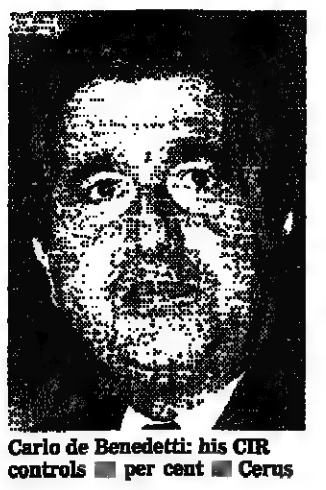
Cerus, the French holding [illegible] controlled by Mr Carlo de Benedetti, the Italian industrialist, yesterday announced plans [illegible] raise FFr858m ($146m) through a rights issue aimed at reducing debts [illegible] reinforcing its financial structure.

The company said that one new share would [illegible] FFr100 for [illegible] three shares already held. Cerus [illegible] fell sharply, losing [illegible] close at FFr129.

The announcement of [illegible] comes a day [illegible] the group revealed sharply reduced [illegible] of FFr251m for [illegible] compared with FFr1.55bn the previous year. Mr Michel Cicurel, deputy chairman, said yesterday that [illegible] results for the current year should be around break-[illegible].

The company also announced [illegible] reduction in net debts, from FFr1.45bn at the end of [illegible] FFr108m at the end of [illegible] year. "A holding [illegible] should not be indebted," [illegible] Cicurel said yesterday, adding that the proceeds of the rights issue would be used solely to strengthen [illegible] balance sheet.

Cerus, which is [illegible] per [illegible] controlled by Mr Benedetti's CIR, is now concentrating on its industrial participations, including its 29 per [illegible] holding in Valeo, the vehicle components group. Mr Cicurel [illegible] yesterday that [illegible] planned to [illegible] Duménil Leblé, its loss-making banking operation, by the end of the year.



Carlo de Benedetti: his CIR controls [illegible] per cent [illegible] Cerus

According [illegible] Cerus, several companies have expressed interest in buying the private banking activities of Duménil. A spokesman for the company said, however, that these activities would probably be retained until a sale had been arranged [illegible] the bank's portfolio of property loans.

According to Cerus, CIR will subscribe to the rights issue in proportion to its current shareholding.

The [illegible] will [illegible] underwritten by Banque Nationale de Paris and Banque Indosuez. The issue [illegible] new shares should reduce [illegible] assets per share from FFr145.70 [illegible] FFr134.30.

■ Pechiney International, the packaging arm [illegible] Pechiney, the French state-owned aluminium group, yesterday announced that it would take a 40 per cent stake in Capolo, [illegible] Italian packaging [illegible].

Capolo, which has annual sales of L270bn ($163m), employs 800 people in seven factories in Italy and is [illegible] the country's largest food packaging companies.

Pechiney declined to state the amount it [illegible] paying for [illegible] in Capolo, which is currently owned [illegible] per [illegible] by Europe Capital Partners, an investment fund. The current management team will remain in place, the French group said.

Laidlaw earnings tumble to $17m in second quarter

By Bernard Simon in Toronto

Laidlaw, the Ontario-based waste and passenger services group, blamed the Los Angeles earthquake, harsh winter weather and regulatory prob[illegible] at its flagship hazardous waste dump for a 40 per cent drop in earnings in its second quarter.

Net income fell to US$17m, [illegible] 6 cents [illegible] share, in the three [illegible] February [illegible] from $28.1m, or 10 cents, a year earlier. Revenues climbed to [illegible] from $469m.

Laidlaw's [illegible] no longer [illegible] from its [illegible] per cent [illegible] in ADT, the international security and vehicle auction group.

The Canadian company began distancing itself from ADT [illegible] January through an [illegible] of debentures which it can redeem with [illegible] ADT shares.

Income from Attwoods, the UK-based [illegible] management company in which Laidlaw has [illegible] 35 per cent stake, fell to [illegible] than $1m from [illegible], due to a previously-announced special charge.

Mr Jim Bullock, chief executive, expressed disappointment with the results, but predicted an improvement for the [illegible] of the year, due [illegible] the strength[illegible] US economy and [illegible] flurry [illegible] acquisitions [illegible] US ambulance operators. The move into ambulance [illegible] is expected to [illegible] $125m to [illegible] 1994 [illegible].

Disruptions to school-bus [illegible] by the California earthquake and the [illegible] winter [illegible] estimated [illegible] quarterly [illegible].

[illegible] service margins narrowed to 7.5 per cent from 13.2 per [illegible] a year ago. But about half the operating income lost to bad weather [illegible] the earthquake is expected to be recovered later in the year.

Operating income from solid-[illegible] grew [illegible] $17.9m from $13.4m, while margins improved [illegible] per cent [illegible] 7.6 per cent. Hazardous [illegible] earnings dipped, however, to [illegible] from $11m, with margins narrowing [illegible] 7 per cent from [illegible] per cent.

The fall [illegible] mainly to the continuing absence of any contribution from [illegible] big [illegible]ardous [illegible] landfill at Pinewood, South Carolina. Earnings for the first half were $55m, or 20 cents [illegible] share, down from $77m, or 28 cents, on sales [illegible] $1.07bn, up from $981.9m.

Finnish steel group to raise FM800m

By Christopher Brown-Humes in [illegible]

Rautaruukki, the Finnish [illegible] yesterday announced plans to [illegible] around FM800m ($144m) through [illegible] global share offering which will strengthen [illegible] balance [illegible] and [illegible] state ownership.

[illegible] larg[illegible] Finland's [illegible] to [illegible] ownership of state-[illegible] companies, [illegible] will cut the [illegible] holding in [illegible] group [illegible] cent from 81 per cent.

Proceeds will [illegible] to reduce [illegible] will [illegible] Rautaruukki's equity [illegible] about [illegible] cent from 22.8 per cent at the end of 1993.

The group [illegible] offering 16m shares in [illegible] tranches. Around 65 per [illegible] of the issue will be [illegible] at Finnish and international institutions, [illegible] at [illegible]. Pricing will not be [illegible] until [illegible] this month, but will be [illegible] market value [illegible] shares, [illegible] yesterday.

The [illegible] offer [illegible] the group's [illegible] in raising FM320m through [illegible] which cut [illegible] ownership [illegible] cent from 87 per cent. It has been timed to [illegible] advantage [illegible] the company's improving [illegible] performance and an upturn in [illegible].

Rautaruukki is [illegible] of Europe's few profitable [illegible] after returning to the black with [illegible] FM144m surplus after financial [illegible] year. It [illegible] from the low value of the Finnish markka, [illegible] efficiency [illegible] higher [illegible] prices.

[illegible] further improvement in earnings has been forecast for [illegible], [illegible] turnover [illegible] from FM7bn.

The [illegible], Scandinavia's second-biggest steel producer, [illegible] on flat [illegible] products. It is the [illegible] leader in Finland and is [illegible] Europe's third-largest manu[illegible] welded precision tubes [illegible] hollow [illegible].

Parliamentary [illegible] allows the [illegible] stake [illegible] Rautaruukki [illegible] 50.1 [illegible] cent, suggesting further share [illegible] will [illegible] made.

[illegible] First [illegible] man[illegible] global offering [illegible] sole manager of [illegible] Prospectus. Kansallis-Osake-Pankki and Merrill Lynch International [illegible] of [illegible] international [illegible].

Corange decision delayed

By Roland Rudd in London

A [illegible] the future composition [illegible] Corange board [illegible] been put [illegible] until May 20 after Mr Curt Engelhorn, the company's [illegible] shareholder, was unable to attend [illegible] special general [illegible]ing in [illegible].

Corange, the Bermuda-based pharmaceutical group, [illegible] parent company [illegible] Boehringer Mannheim, one of Germany's [illegible] healthcare compani[illegible].

The board [illegible] attempting [illegible] eject Mr Engelhorn, who [illegible] for 42 per [illegible] shares, [illegible] chairman [illegible] the supervisory board [illegible] Mannheim. Corange's board yesterday [illegible] on Mr Engelhorn [illegible] give his full support [illegible] its chief [illegible], Mr [illegible] Link.

But Mr Engelhorn, [illegible] has [illegible] on Mr Link to resign, was [illegible] by Mr Franz Kuehner, [illegible] of [illegible] German Workers' [illegible] and [illegible] member of Mannheim's supervisory board.

Mr Kuehner warned that employees could no longer work for the new [illegible]tive. He also turned down the opportunity [illegible] taking part in any mediation with Mr Link, although he [illegible] he [illegible] prepared [illegible] speak with [illegible] Karl Otto Pöhl, [illegible] temporary chairman of Corange.

Highland Distilleries improves 10%

By Tony [illegible]

Highland Distilleries, [illegible] Scotch whisky producer, [illegible] bucked [illegible] trend of falling profits in [illegible] whisky industry with a 10 per [illegible] increase in pre-tax profits to £23.4m ($34.3m) in [illegible] months [illegible] end-February and [illegible] 10 per cent [illegible] in [illegible] dividend.

Mr [illegible] Goodwin, chairman, [illegible] rise in operating profit – up 2 [illegible] to [illegible] – [illegible] attributable to the perfor[illegible] the Famous Grouse brand, which [illegible] provides some 45 per [illegible] group profit [illegible] tax.

In the [illegible] was slightly down with the market, but [illegible] was [illegible]. Market share in [illegible] dipped [illegible] per cent [illegible] 23 per cent, [illegible] from 11 per cent to 12 [illegible] in England and Wales, leaving [illegible] share unchanged at 14 per cent.

Highland said the UK price of Grouse [illegible] constant through the year, [illegible] petitors' prices [illegible] fallen. Mr Goodwin [illegible] "we could easily increase [illegible] volume through promotional support and lower prices, [illegible] would do a lot of damage. Our premium price position is of vital importance to the brand."

Exports of Famous Grouse, [illegible] accounting for [illegible] per cent of the brand, [illegible] up [illegible] by volume [illegible] 30 per cent by value. [illegible] Goodwin said [illegible] whereas three years ago exports accounted for only 20 per cent [illegible] total and made [illegible] contribution [illegible] profit, exports [illegible] moved steadily into profit since then.

The combination of falling sales [illegible] home and rising [illegible] abroad meant [illegible] overall volume had [illegible] steady [illegible] past two years.

Sales of [illegible] whisky fillings [illegible] down [illegible] per cent. How[illegible] for calendar 1994 were up 9 per cent. Sales of mature [illegible] were up on [illegible] previous year, and vol[illegible] sales [illegible] the Highland Park malt brand [illegible] up 23 [illegible] cent.

Capacity [illegible] the group's [illegible] was just [illegible] 40 per cent, a slight improvement [illegible] before. Mr Goodwin [illegible] was difficult [illegible] change in the overall market in [illegible] of 1994, though he expected [illegible] "fairly modest" turn-round [illegible].

Earnings per [illegible] were up 9 per cent [illegible] 12.2p. The interim dividend has [illegible] 1.76p from 1.6p..

Amec moves back to profit but warns of tough conditions ahead

By Andrew Taylor, [illegible]

Amec, the UK construction, engineering and property group, returned to [illegible] black [illegible] making pre-tax prof[illegible]. This compared with [illegible] of [illegible] and £13.1m in 1991 [illegible] figures [illegible] depressed by write-downs in property values [illegible] provisions.

The turnround, however, was [illegible] than expected and [illegible] company's shares [illegible] 5p [illegible] 135p.

The figures were [illegible] by [illegible] warning from [illegible] Alan Cockshaw, chairman, [illegible] UK construction [illegible] likely to remain difficult [illegible] too many companies [illegible] chasing [illegible] business. "We cannot reasonably [illegible] volume of business [illegible] within the UK [illegible] increase significantly in [illegible] short [illegible] medium term."

[illegible] joined the [illegible] of other large [illegible] construction companies in calling [illegible] much-needed rationalisation within the industry. Sir Alan added that he did [illegible] this would occur.

Mr Martin Laing, chairman of John Laing, last month [illegible] banks and institutional [illegible] propping up "enfeebled contractors", adding [illegible] damaging [illegible] capacity [illegible] industry.

'We cannot expect that UK business will increase significantly in the short to medium term'

[illegible] yesterday [illegible] was placing greater emphasis on pursuing overseas orders [illegible] establishing long-term relationships with [illegible] reduce its dependence on conventional competitive bidding, where margins [illegible] expected [illegible] "extremely competitive in [illegible] areas of UK markets".

It [illegible] similar [illegible] conditions prevailed in [illegible] parts of continental Europe, apart from Germany where demand for construction [illegible]. The company had [illegible] progress in [illegible]east Asia, particularly in Hong Kong.

Amec, as previously indicated, is increasing [illegible] final dividend [illegible] 1p [illegible] 1.5p mak[illegible] an unchanged total of 3p [illegible] year. Earnings per share of 3.6p compared with [illegible] 44.5p [illegible] exceptionals.

Group turnover [illegible] by [illegible] per [illegible] (£2.12bn) [illegible] mainly to [illegible] hook-up work on North Sea oil and gas rigs. [illegible] work [illegible] expected to decline in the current year, [illegible] Alan.

Mechanical [illegible] electrical engineering profits, which have held [illegible] building and civil engineering earnings, [illegible] from £18m to £22.8m on a virtually unchanged turnover of [illegible]. General contracting profits, by comparison, fell from [illegible].

Housebuilding in line with [illegible] improved results moved back to [illegible] small profit last year. In the UK, profits had fallen from [illegible] to [illegible]. Losses in the US [illegible] increased from £3.6m to £6.1m, but the figures [illegible] a strong [illegible] improvement.

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هكذا من الاصل

Canadian group to set up company in Sri Lanka

By Bernard Simon in Toronto

Ondaatje Corp, a Canadian investment group with interests in Sri Lanka, has formed a new company which plans to list on the Colombo stock exchange and raise C$66m (US$47.8m) in equity, mostly from international institutions.

The new company, to be known as Forbes Ceylon, will take over a number of businesses from Forbes & Walker, a diversified Sri Lankan trading company [illegible] Ondaatje bought last October.

Forbes & Walker will retain its core tea, commodity and stock brokerage businesses.

Forbes Ceylon aims to raise C$50m from international investors, with the remainder of the equity issue to be underwritten in Sri Lanka.

Forbes Ceylon's prospectus is expected to be cleared within about a month, but more time will be needed to comply with Sri Lankan regulatory requirements.

All funds received will be held in escrow until Forbes Ceylon has been accepted for trading on the Colombo Stock Exchange.

Bertelsmann expects record year

By Michael Lindemann in Bonn

Bertelsmann, the world's second largest media group, yesterday said earnings for the six months ending December 31 were "well above budget".

In addition, it expected full-year results to be better than the 1993 record figures, [illegible] losing an estimated DM160m through the collapse last week [illegible] the [illegible] private television channel.

Total foreign sales rose 6.2 [illegible] cent [illegible] DM9.3bn ($5.43bn) while earnings rose by "an even higher percentage", [illegible] company said. It did not give further details.

The family-owned company said [illegible] grow 6 per cent to more than DM18bn for the full year, maintaining Bertelsmann's position as the second largest media group in the world, behind Time Warner of the US.

While Bertelsmann admitted the recession had not left it "totally untouched", it said it would ride out the collapse of Vox, which folded just 14 months after its launch when [illegible] shareholders, Süddeutsche Verlag and WestLB, pulled out.

Sales [illegible] Bertelsmann Buch, the newly created division which handles book clubs in German speaking countries and the international publishing arm, jumped [illegible] per [illegible] DM3.2bn.

The company's best performing division, Bertelsmann Music Group, which includes the Arista Record [illegible] reported sales up by 10 per cent [illegible] DM2.7bn.

Turnover at Gruner+Jahr, the second largest division, which embraces newspapers and magazines [illegible] is more [illegible] on the German market, [illegible] 2 per cent to DM1.9bn.

The industry group, which takes in printing plants [illegible] paper production, reported turnover up 1.5 per cent to DM1.6bn while the film and television division reported turnover up 23 per cent [illegible] DM500m.

GE says earnings 'at high end of estimates'

By Richard Waters in New York

General Electric, [illegible] conglomerate, said its earnings for the first quarter of the year were "at the high end of analysts' estimates", which ranged from $1.45 to $1.50 a share.

The announcement marked an attempt by the industrial giant to scotch rumours that its financial services businesses, which have been one of the main engines of profits growth in recent periods, had suffered from rising US interest rates.

In particular, market speculation centred on possible losses at Kidder Peabody, the group's Wall Street brokerage house. In a statement, GE said that first-quarter earnings [illegible] both Kidder and GE Capital Services, its financial [illegible] unit, would be "excellent". Dennis Dammerman, [illegible] group's [illegible] president in charge of finance, also said [illegible] continues [illegible] expect [illegible] earnings for [illegible]

[illegible] a patchy record in recent years and has been consistently [illegible] profitable than its main competitors, leading to frequent speculation that GE was looking to sell the business.

[illegible] year operating [illegible] jumped to $439m from $300m.

Baltica returns to the black with DKr25m

By Hilary Barnes in Copenhagen

Baltica, Denmark's largest combined accident and life assurance [illegible] into [illegible] in [illegible] with group net profit of DKr25m ($3.7m), compared with a 1992 loss of DKr445m. For the sec[illegible] no [illegible]dend was proposed.

Group premium [illegible] slipped [illegible] DKr8.33bn from DKr8.51bn, but general insurance premium income [illegible] DKr3.38bn from DKr3.36bn.

[illegible] increased [illegible] DKr112bn from DKr101.5bn, but equity capital was reduced [illegible] DKr5.67bn from DKr7.81bn at the [illegible]

[illegible] financial [illegible]tee business [illegible] DKr220m [illegible] It also [illegible] DKr95m [illegible] a US subsidiary, but [illegible] general [illegible] had developed [illegible]factorily.

The [illegible] forecast [illegible] improvement [illegible] a result of continued [illegible]tions and [illegible] in premium [illegible]

Baltica Insurance [illegible] up for sale after the collapse [illegible] parent [illegible] Holding, which has changed [illegible] name [illegible] Gefion, but yesterday's report made no mention [illegible]

Benetton plans bond and share issues

By Andrew Hill in Milan

Benetton, the Italian clothing group, [illegible] to [illegible] shareholder approval for a bond [illegible] and a placing of 19m new shares [illegible] foreign markets.

The group yesterday called an extraordinary meeting of shareholders for May 25 and 26 to vote on the share and bond issue, causing a drop in Benetton's share price on a day in which the Milan stock mar[illegible]

[illegible] will [illegible] holders if some or all [illegible] new [illegible] can [illegible] issued in [illegible] form of [illegible] on foreign [illegible] The [illegible] increase the geographical spread [illegible] the group's [illegible]

In February, [illegible] by selling 10m [illegible] shares in an [illegible] aimed particularly [illegible] increasing [illegible] number [illegible] US [illegible] in [illegible] group. [illegible] authorisation [illegible] new [illegible]

The group [illegible] yesterday that [illegible] separate [illegible] with warrants [illegible] could raise up to L150bn on the Italian market, but it did not [illegible] how much would be raised by the share issue.

VA Tech lifts profit ahead of flotation

By Patrick Blum in Vienna

Voest-Alpine Technologie (VA Tech), Austria's largest engineering group, yesterday reported higher profits on slightly reduced turnover for 1993, and announced conditions for its privatisation next month.

Domestic and international investors will be offered 7.65m shares, or 51 per cent of VA Tech share capital, through a five-day flotation on the Vienna stock exchange starting on May 16. The share price will be announced on May 13, and the government expects to raise at least Sch5bn ($414.6m) from the sale.

According to an original valuation the sale was expected to raise Sch5bn-Sch6bn, but this was before last year's results were known, and developments since then should firm up the price, Mr Othmar Pühringer, VA Tech chairman, said.

Group profits from ordinary activities rose 6 per cent to Sch974m with positive results in all the group's main companies. Turnover fell to Sch22.5bn from Sch23.6bn in 1992, reflecting a different accounting method for large projects.

VA Tech was formed last November as part of a reorganisation of the bulk of Austria's state-owned industries following heavy losses at Austria Metall, the aluminium manufacturer.

OIAG, state holding company for the nationalised industries, will keep a 24 per cent direct stake in VA Tech, and hold indirectly 25 per cent through its VA Stahl steel subsidiary, which has a 25 per cent cross shareholding with VA Tech.

French, Brazilian groups allotted stakes in BPA

By Peter Wise in Lisbon

Portugal has chosen one Brazilian and three French companies as the foreign investors allotted shareholdings, totalling 7.5 per cent, in the privatisation of Banco Portugues do Atlantico (BPA), the country's largest retail bank.

Caisse National de Prevoyance and Mutuelles du Mans, the French insurance companies, will take stakes of 3 per cent and 1 per cent respectively. The Brazilian Banco Economico will buy 2.5 per cent and French bank Crédit Commercial de France 1 per cent.

The sale of the shareholdings will raise Es15.4bn ($89m) for the Portuguese state. Crédit Commercial de France had been contracted to advise the Portuguese government and negotiate the sale of stakes in BPA to foreign investors.

Foreign shareholders [illegible] limited to holding 3 per cent of BPA individually and 7.5 per cent collectively. The sale of stakes to foreign companies is the third phase of BPA's privatisation and will bring the total capital in private hands to 75 per cent.

The state is expected further to reduce its shareholding in BPA later this year by not exercising subscription rights in a planned capital increase to Es110bn from Es100bn. The bank is now controlled by a group of Portuguese investors who own 27 per cent.

Mutuelles du Mans owns 37.5 per cent of BPA Seguros, an insurer in the BPA group. Crédit Commercial and Banco Economico have co-operation agreements with the bank.

Swissair falls 48% to SFr59m

Swissair, Switzerland's shareholder-owned national airline, announced that its net group profit fell 48 per cent in 1993, to SFr59m ($40.9m) from SFr113m in 1992, AP-DJ reports from Zurich.

It also said it would pass its dividend on the 1993 results.

As previously reported, the company posted a first-half 1993 group net loss of SFr65m. Swissair indicated a month ago that full-year 1993 group results would be positive.

At the airline level, 1993 net profit fell 68 per cent to SFr6.7m from SFr20.8m in 1992.

The company blamed fare erosion and said it would ask shareholders to agree to omit a dividend. Last year, the airline paid a dividend [illegible] share, down from SFr20 the year before.

Group operating profit rose slightly last year to SFr216m from SFr214m in 1992.

AirTouch aims for the overseas market

Pactel's wireless [illegible] is well placed to operate as a separate unit, write[illegible] Andrew Adonis

US telecoms operators [illegible] reassessing their prospects as [illegible] *certainties of the industry* [illegible] amid regulatory and technological upheaval.

The seven regional Bell companies [illegible] challenge, [illegible] their local monopolies [illegible] to be [illegible] cellular [illegible] networks about [illegible] wave [illegible] competition [illegible] new [illegible].

Arguably [illegible] innovative reaction is that of Pacific Telesis, [illegible] San Francisco-based Bell company. Two years ago Pactel said it was going to spin-off [illegible] an entirely separate company. That spin-off takes effect [illegible] of AirTouch Communications as an independent company, comprising Pactel's cellular, [illegible] operations.

[illegible] "wireline" [illegible] – [illegible] connections [illegible] in California [illegible] – [illegible] with [illegible] Bell. They account for [illegible] of the former group's [illegible] in 1992 [illegible] Bell generated [illegible] of Pactel's [illegible] *revenues*, [illegible] cellular, [illegible] and [illegible] activities contributing [illegible] them.

[illegible] the wireless business is [illegible] to grow fast, and [illegible] spin-off marks [illegible] significant departure from [illegible] course adopted by the other Bell operators.

Mr [illegible] Ginn, AirTouch [illegible] – *who moves* [illegible] in [illegible] – [illegible] regulation and valuation were [illegible] key considerations in [illegible] spin-off. [illegible] believed it was undervalued [illegible] cellular [illegible] were "[illegible]" by PacBell, and it was *concerned about access to capital* [illegible] business, given valuation and [illegible] requirements.

[illegible] far, Pactel/AirTouch has defied the sceptics. In an initial public offering [illegible] AirTouch raised $1.5bn with ease, [illegible] has risen by more than 35 per [illegible] of the spin-off.

That compares starkly with [illegible] of Bell Atlantic, [illegible] price fell nearly 20 [illegible] cent in [illegible] four [illegible] and the collapse [illegible] $21.4bn [illegible] with Tele-Communications, the largest US [illegible] television service [illegible].

Why, then, are [illegible] companies following suit? "[illegible] is [illegible] great [illegible] there," claims Mr Ginn. "[illegible] are [illegible] through [illegible] trauma of [illegible] regulatory [illegible] reform themselves; [illegible] they are [illegible] by [illegible] term 'convergence' [illegible] thinking [illegible] a mistake [illegible] separate [illegible] wireless [illegible] from the rest."

[illegible] year by AT&T, the [illegible] telecoms giant, [illegible] buy McCaw, the leading [illegible] wireless operator, convinced [illegible] Baby [illegible] lay in integrating, [illegible] separating their activities. "We'd be [illegible] fragment *ourselves just as* [illegible] *trying to resurrect* [illegible] Bell," [illegible] one regional Bell chief executive earlier [illegible] year.

A few months on, [illegible] sanity [illegible] problem[illegible] the [illegible] escapade. South[illegible] – the Texas-based Bell operator – this [illegible] off [illegible] planned $1.6bn [illegible] in Cox Enterprises, [illegible] leading [illegible] meltdown [illegible] Bell system [illegible] likely.

As for convergence between cellular [illegible] "wireline", [illegible] Commission, [illegible] regulates [illegible] telecoms industry [illegible] Washington, is unlikely [illegible] integration between wireline [illegible] cross-subsidies.

Divesting its [illegible] business [illegible] in [illegible] own right [illegible] franchises [illegible] personal [illegible]nications services, [illegible] new cellular networks soon to be auctioned by the FCC. AirTouch will bid [illegible] aiming to put together a consortium providing nationwide [illegible].

The [illegible] market [illegible] the [illegible] of AirTouch's strategy. Although it [illegible] only [illegible] large Bell cellular operators within the US, [illegible] it [illegible] largest. [illegible] inherits [illegible] lucrative international franchises – notably a 26 per cent [illegible] in Mannesmann Mobilfunk, which operates [illegible] cellular [illegible] in Germany [illegible] subscribers, [illegible] per cent [illegible] in [illegible] recently won the [illegible] Italy's [illegible].

[illegible] Europe and [illegible] region, [illegible] cellular mobile [illegible] liberalising [illegible] wireline market, where the vested interests of long-established national telecoms monopolies are far more powerful.

US cellular operators [illegible] strongly placed, particularly those such as AirTouch and BellSouth with successful records in partnerships with local companies.

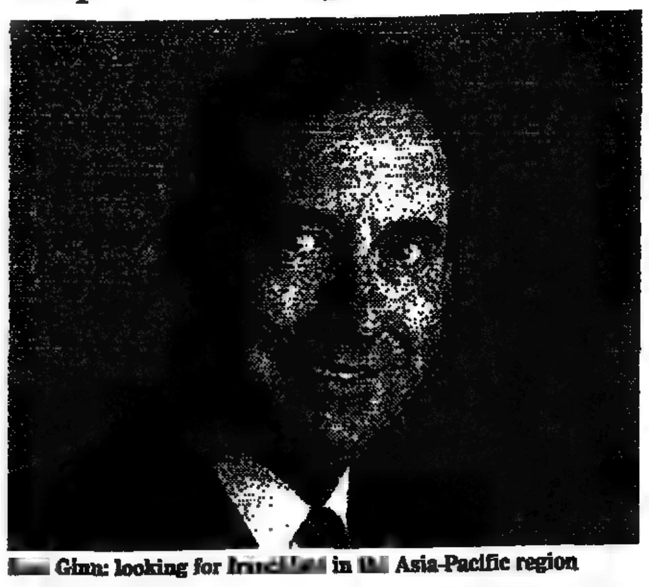
Allowing for its share of consortia, AirTouch begins life with 1.1m [illegible] subscribers and 155,000 abroad. "My hope is that by the *year 2000 our assets* would be larger outside the US than inside," [illegible] Mr Ginn. That [illegible] an aggressive [illegible] strategy.

"In [illegible] early ventures we [illegible] motivated largely by political risk – we concentrated on politically stable countries, mostly [illegible] industrial countries. My current thinking [illegible] we are now in [illegible] position [illegible] take more risk – moving into lesser developed countries."

So in addition [illegible] Europe, Mr Ginn will be looking for franchises in [illegible] Asia-Pacific region's rapidly expanding economies.

[illegible] strategy [illegible] similar [illegible] that [illegible] Vodafone, [illegible] largest operator and also [illegible] dedicated [illegible] operator, [illegible] forays [illegible] "safe" countries have [illegible] it [illegible], notably South Africa.

Will the AirTouch spin-off generate [illegible] dynamism of its own? "In personal terms, [illegible] a wrench, like [illegible] divestiture [of AT&T, which led [illegible] of the Baby Bells]," [illegible] Mr Ginn. "Twelve months [illegible] revolution, [illegible] history."



[illegible] Ginn: looking for [illegible] in [illegible] Asia-Pacific region

Sun Micro earns more as margins improve

By Louise Kehoe in [illegible]

Sun Microsystems, [illegible] US computer workstation manufacturer, has taken the unusual step of releasing its earnings and sales figures for the third fiscal quarter before [illegible] a full financial report.

The [illegible] follows a [illegible] drop in Sun's share price ear[illegible] in the [illegible] company warned that third-quarter revenues would be below analyst's expectations.

In early trading in [illegible] York yesterday [illegible] rose $2¾ [illegible].

Sun's [illegible] for [illegible] third quarter, [illegible] March, [illegible] $57.5m, [illegible] 60 [illegible] share, compared [illegible] $51.7m, [illegible] cents, in [illegible] same period [illegible] year. [illegible] for the quarter [illegible] $1.19bn, [illegible] per [illegible] from $1.14bn in [illegible] year's third quarter.

[illegible] last [illegible] ment, when the company said US sales growth had been held [illegible] by *anticipation of new* [illegible] products, analysts had been predicting earnings of [illegible] 64 [illegible] a [illegible]. [illegible] the warning, projected earnings dropped sharply [illegible] a [illegible].

However, [illegible] on Wednesday, Sun [illegible] of its [illegible] *had* [illegible] severely [illegible] by [illegible] problem.

But [illegible] representing a larger than [illegible] proportion [illegible] the third quarter, [illegible] profit margins [illegible] to [illegible] per [illegible] in [illegible] quarters, [illegible] company [illegible].

The [illegible] in [illegible] margins runs against industry trends, but [illegible] expected [illegible] be temporary [illegible] low-cost workstations [illegible] off. The new products, introduced [illegible] week, will "[illegible] workstation price model", [illegible].

Sun introduced mid-range and high performance workstations [illegible] price of [illegible] model [illegible] less than [illegible].

Tata eyes $240m Florida plant

[illegible] R.C. Murthy in Bombay [illegible] in New Delhi

Tata, India's largest [illegible] grouping, [illegible] considering buying control of [illegible] $240m fertiliser chemical plant [illegible] Florida [illegible] what would be the biggest [illegible] acquisition by an Indian company.

Tata Chemicals, a Tata company producing soda ash, caustic soda and other chemicals, is examining plans to [illegible] $122.4m for a 51 per cent stake in the plant [illegible] by Occidental Chemical Corporation, [illegible] arm of Occidental, [illegible] energy group. Occidental would [illegible] remaining [illegible] cent.

[illegible] plant produces phosphoric acid, [illegible] main ingredient for phosphatic fertilisers, which it makes from phosphate rock. India, which [illegible] short of phosphates, imports phosphoric acid. [illegible] needs [illegible] expected to grow rapidly, so [illegible] it makes [illegible] overseas [illegible] secure [illegible] capt[illegible] supply [illegible] phosphoric [illegible] for [illegible] new [illegible] plant [illegible] is building in [illegible] northern [illegible].

The planned acquisition [illegible] strongly promoted by Mr Dar[illegible] Seth, [illegible] 74-year-old for[illegible] chairman of [illegible] Chemical, who left suddenly last month, saying [illegible] was retiring.

The scheme will require gov[illegible] approval because [illegible] ital account transactions [illegible] tightly controlled by foreign exchange laws.

Former IBJ head joins Goldman Sachs Japan

[illegible] Terazono in Tokyo

[illegible] Sachs, [illegible] private investment bank, [illegible] appointed Mr Hideo Ishihara, a former deputy president [illegible] Bank of Japan and president of IBJ Leasing, [illegible] chairman of Goldman [illegible] Japan, [illegible] Tokyo arm [illegible] house.

Mr Ishihara, who will join [illegible] company [illegible] general part[illegible] equivalent of [illegible] board member of [illegible] company, [illegible] the appointment reflected Goldman's wish [illegible] expand business with Japanese [illegible].

The move [illegible] other leading [illegible] scaling [illegible] their Tokyo operations and focusing [illegible] other parts of [illegible] Asia.

Mr Ishihara, [illegible] is known for his connections in international [illegible]. He [illegible] deputy president of IBJ in [illegible].

US fund to invest $1bn in China's car parts industry

By Tony Walker in Beijing

A new investment fund [illegible] by US institutions plans [illegible] up [illegible] $1bn over [illegible] next [illegible] years in [illegible] automotive components industry to take advantage [illegible] boom [illegible] the [illegible] sector.

The Asian Strategic Investments Corporation (Asimco), through its China Automotive Components Group, plans [illegible] initial $160m investment [illegible] joint ventures with about [illegible] manufacturers.

Mr [illegible] Perkowski, chairman [illegible] Asimco, [illegible] company [illegible] bring "experienced management and technology, [illegible] well [illegible] capital" to [illegible]. [illegible] aim [illegible] become [illegible] largest components [illegible] in [illegible].

Shareholders in Asimco [illegible] Group, [illegible] Hong Kong and [illegible] merchant bank, and Dean Witter Capital Corporation [illegible] TCW Capital Investment Corporation, [illegible] the [illegible].

Among Asimco's local partners will [illegible] the China [illegible] Automobile Industry Association (CNAIC), Norinco, China's largest integrated motor vehicle company, and the municipal government of Changchun, China's main vehicle manufacturing centre.

Mr Perkowski said his organisation would [illegible] majority [illegible] in joint [illegible] develop [illegible] into [illegible] dominant players in their respective segments of the market.

China's [illegible] components [illegible] is highly fragmented [illegible] 4,000 manufacturers, many of them tiny operations. The CNAIC estimates that $20bn is required for the components industry to [illegible] with developments in [illegible] manufacturing. China's [illegible] parts [illegible] the fourth largest in the world, according [illegible].

The [illegible] will [illegible] unveil [illegible] car industry strategy which [illegible] expected [illegible] freeze the number [illegible] manufacturers, [illegible] likely [illegible] encouragement [illegible] given to [illegible] components [illegible].

Japanese truck makers sign supply agreement

By Michiyo Nakamoto in Tokyo

Three Japanese truck makers have agreed to supply each other with trucks, a significant step in the restructuring of Japan's automobile industry.

Nissan, Nissan Diesel and Isuzu will provide each other with products on an original equipment manufacturing (OEM) basis beginning next summer, the companies said.

Under the agreement, Nissan will supply Isuzu with 6,000 vans and 3,000 one-tonne trucks annually, which Isuzu will market under its own brands. Isuzu, in its first deal to supply a competitor with trucks on an OEM basis, will supply Nissan and Nissan Diesel with 14,000 units of its two- to three-tonne truck, which the Nissan companies will sell under different brands.

The [illegible] development costs in order to meet rising competition in the Japanese truck market, Isuzu said. The truck makers are particularly concerned [illegible] tougher [illegible] exhaust [illegible] will [illegible] devel[illegible].

Sharing development [illegible] has become an important theme [illegible] many [illegible] makers. Competition in [illegible] domestic truck market is expected to remain intense as demand is not likely to rise significantly in the near future.

All three companies have come under severe pressure in Japan's slumping automobile market. In the year to March 31, Isuzu saw total vehicle sales fall nearly 20 per cent, Nissan Diesel 13 per cent and Nissan 10 per cent.

Chinese companies seek NYSE listings

By Simon Holberton and Louise Lucas in Hong Kong

Four of [illegible] largest state-[illegible] companies [illegible] for listing [illegible] China are aiming for the [illegible] York [illegible] Exchange.

[illegible] power supply companies [illegible] airlines, expected [illegible] $250m [illegible] each, [illegible] signed [illegible] with US [illegible] banks, according [illegible] industry [illegible].

In January [illegible] Chinese [illegible] published [illegible] list [illegible] companies which it [illegible] for a foreign listing. [illegible] and still [illegible] ted [illegible] list [illegible] shares [illegible] Hong [illegible] exchange.

[illegible] corporate regulators are [illegible] tioned the US listings. They [illegible], however, waiting [illegible] how [illegible] allowing companies [illegible] foreign exchanges.

[illegible] are believed [illegible] banks, with [illegible] US investment banks. UK and Japanese houses have captured only one each, while the Bank of Chi[illegible] merchant [illegible] Kong [illegible].

The US [illegible] are [illegible] the 23 [illegible] come [illegible] the market, [illegible] power companies [illegible].

Lehman [illegible] the [illegible] for Huaneng International, [illegible] power generation and supply company incorporated in Beijing, while Credit Suisse First Boston will bring Shandong Huaneng Electricity, a Beijing incorporated operator of seven power companies, to the New York market.

Goldman Sachs has won the mandate for China Southern Airlines and Morgan Stanley the mandate for China Eastern Airways.

Some [illegible] query the value of a foreign listing for mainland Chinese companies, claiming that the [illegible] market for these stocks [illegible] Kong.

Keeping the customer satisfied 24 hours a day

Citibank of the US has started a mini-revolution in Japanese retail banking, writes Paul Abrahams

The sight of someone withdrawing money [illegible] "hole-in-the-wall" [illegible] at [illegible] o'clock [illegible] the morning [illegible] Tokyo [illegible] revolution [illegible] banking.

In [illegible] countries the sight might be commonplace, but in Japan [illegible] only 60 [illegible] 24 hours [illegible] day.

[illegible] 60 belong [illegible] Citibank, and [illegible] experience [illegible] Japanese [illegible] banking [illegible] telling example [illegible] foreign companies can [illegible] in [illegible] Japan.

In [illegible] years, [illegible] number of Citibank's [illegible] Japan [illegible] 30,000 [illegible] operations in Japan, [illegible] been the only foreign [illegible] up a [illegible] network, [illegible] move [illegible] profit [illegible] year, according to Mr [illegible] Yashiro, [illegible] executive vice-president.

[illegible] had six [illegible] early [illegible], but [illegible] to expand rapidly. "Japan represents [illegible] opportunity, [illegible] foreign [illegible]. If [illegible] succeed, [illegible] large – the country is [illegible] world's second-largest economy – [illegible] you can really flourish," [illegible] Mr [illegible].

Citibank [illegible] it saw [illegible] gap [illegible]. Mr Yashiro explains: "Contrary [illegible] view, Japanese [illegible] vices [illegible] historically [illegible] low quality. [illegible] producer society. Consumers [illegible] for. Banking [illegible] as a source of cheap [illegible] met."

The [illegible] by Citi[illegible] entered [illegible] banking were not, for the most part, generated by Japan's bureaucracy. "The ministry [illegible] finance [illegible] to foreign banks," [illegible] Mr Yashiro. "By Japanese [illegible] – and I emphasise by Japanese [illegible] – we've been [illegible]. But [illegible] society that [illegible] in [illegible] than opportunity. Invariably, if you ask for [illegible]mission [illegible] do [illegible], you're told [illegible] a good idea." [illegible] is still [illegible] to offer investment [illegible].

[illegible] biggest [illegible] bureaucratic difficulties has [illegible] setting up [illegible] branch network. The 11 leading [illegible] cial banks – known [illegible] city [illegible] – have huge [illegible] networks; if Citibank [illegible] start competing, it [illegible] find good [illegible] reasonable prices, [illegible] almost impossible [illegible] during the bubble economy of the late 1980s.

All change: Citibank offers 24-hour cash machines in competition with Japanese banks' restricted services

"This problem has eased," he says. "Nevertheless, even though real estate prices are down, you often still have to provide up to seven years' rent in advance - and you don't receive any interest on it." The bank now has 21 branches, mostly in Tokyo.

[illegible] problem [illegible] gaining access to the automatic teller machine (ATM) networks owned by the other banks. Mr Yashiro explains: "We can't really compete with [illegible] Japanese banks by providing plain [illegible] services. [illegible] have [illegible] niche player. [illegible] the [illegible] services, and [illegible] provide [illegible]. This includes rapid international fund transfers, multi-currency accounts – [illegible] can [illegible] in 11 different currencies – and automatic bill [illegible]."

[illegible] of Citibank's main points [illegible] 24-hour cash-point machines. The company [illegible] 40 on-site ATMs, with [illegible] 20 [illegible] that [illegible] paltry compared with the [illegible] network, owned by [illegible] city banks, which [illegible] 27,000 machines around [illegible] country.

"We [illegible] belong [illegible] because [illegible] foreign," [illegible] Mr Yashiro. "We are only [illegible] members, which means we have [illegible] pay [illegible] slightly higher customer fee. I openly [illegible] – [illegible] by [illegible] government, [illegible] by [illegible].

"On [illegible] hand, it's a [illegible] better [illegible] might [illegible]. When [illegible] first approached them, we [illegible] the development [illegible] entire system." Citibank started negotiations six [illegible] with [illegible] regional [illegible] for [illegible] system, [illegible] still unable [illegible].

In spite [illegible] problems [illegible] long [illegible] by [illegible] services, Citibank's added-value formula [illegible] to [illegible] working. The [illegible] turnover [illegible] per [illegible] foreign [illegible] in Japan hold [illegible] Citibank, [illegible] pleases Mr Yashiro.

However, profitability still [illegible] Citibank's Japanese retail banking operations, despite [illegible] cost-reduction programme. Staffing [illegible] been kept [illegible] over [illegible] years, [illegible] though new branches are [illegible] opened.

In [illegible] of [illegible] relative [illegible], Mr Yashiro expects [illegible] follow. "The [illegible] for foreign [illegible] remains [illegible] ting up the infrastructure," he [illegible].

Treasuries hold steady in face of contrasting data

By Frank McGurty in New York and Antonia Sharpe in London

US Treasury bonds strayed little from their opening levels yesterday morning in a session which held steady in the face of conflicting signals on the economy.

By midday, the benchmark 30-year government bond was $\frac{1}{32}$ better at 88¼, with the yield slipping to 7.224 per cent. [illegible] the short end, the two-year [illegible] was unchanged [illegible] to yield 5.377 per [illegible]

[illegible] by [illegible] chairman of the Federal Reserve, just before the afternoon session began, triggered a brief flurry of selling which quickly [illegible] Mr Alan Greenspan, in San Francisco, [illegible] he thought the country's sense of [illegible] nomic pessimism was misguided.

In general, the market enjoyed [illegible] peaceful morning. Early on, the weekly reading on the [illegible] of the labour market – which showed [illegible] rise [illegible] 6,000 in initial claims for [illegible] unemployment benefit – provided a slight lift to sentiment, [illegible] it suggested the [illegible] was not growing at an excessive [illegible]

But the favourable news was [illegible] balanced [illegible] by March sales [illegible] from the leading US retailers. The figures showed shoppers returned as soon [illegible] February's deep [illegible] lifted, a worrying development for [illegible] investors, who [illegible] the [illegible] demand will lead to higher prices.

The middle segment of the yield curve benefited a little from [illegible] firming trend in the mortgage-backed and municipal bonds.

GOVERNMENT BONDS

■ French government bonds ended the day lower, weighed down by the lacklustre response [illegible] the Bank of France's FFr19.8bn auction of OATs and the weaker [illegible]

"Auctions are not desperately [illegible] at the moment so the Bank of France did as well as one could have [illegible] in these difficult times," said Mr Kit Juckes, economist [illegible] SG Warburg Securities.

He added that the uncertain political situation in France could force [illegible] widening of the yield differential between 10-[illegible] French and German [illegible]ernment bonds. The differential now [illegible] at about 20 [illegible] points, he [illegible] A further widening would lessen [illegible] appeal of French bonds to international investors.

Dealers said [illegible] muted demand at yesterday's auction [illegible] reflected in the higher yields, noting that the average accepted yield on [illegible] 5.5 per cent OATs due 2004 rose by [illegible] basis points [illegible] per cent. The yield on the 6 per cent OAT due 2025 rose to 7.05 per cent from 6.91 per [illegible] They added that the bid-to-cover [illegible] were much lower than at the previous auction.

One [illegible] noted that [illegible] June contract of the notional 10-year French government bond future on the Matif had held up relatively well during the auction but had weakened on the back of lower US treasuries. The contract traded between a high of 123.62 and a low of 123.40 during the day. In [illegible] late afternoon, it traded around 123.54, marginally higher on the day.

■ Italian government bonds rose more than one point yesterday afternoon on news that Italy's federalist Northern League had resumed contact with [illegible] Silvio Berlusconi, who had broken off talks with his electoral allies on Tuesday.

The June contract of the Italian government bond future on Liffe went as high as 113.48 on the news, well [illegible] on the day's low of 112.43. In the late afternoon, the contract traded around 113.40, up 1.11 point on the day.

■ UK gilts recovered from an intraday low which followed the [illegible] of stronger-than-expected UK industrial output data for February. Some dealers said the data appeared to lower the chances of an early rate cut.

Apart from [illegible] data, there [illegible] no [illegible] influences on the market and gilts traded in [illegible] narrow one-point range. The June contract of the long gilt future on Liffe traded between 108$\frac{21}{32}$ and [illegible] during the day. In the late afternoon the contract was quoted at 108$\frac{3}{32}$, down [illegible] on the day.

■ German bunds were trapped in a narrow range yesterday as the market waited for Mr Greenspan to make his speech. Before reports of his speech hit the trading [illegible], there had been worries that he would raise the discount rate in order to underpin the recent rise in the Fed funds rate.

The June contract of the bund future on Liffe was sandwiched between 97.30 and 97.00 during the day and traded at 97.15 in the late afternoon, up [illegible] point from Wednesday's [illegible]

Prague to raise $250m in first offering since 1920s

By Antonia Sharpe

The City of Prague is preparing [illegible] launch its first bond offering since the 1920s to help finance the modernisation of its underground transport system, built during Communist rule.

Prague, the only east European borrower apart from the Czech Republic [illegible] have obtained an investment-grade rating (it [illegible] rated triple-B with a positive outlook by Standard & Poor's), [illegible] raise [illegible] in the international bond market next week.

Nomura, the Japanese [illegible]rities house, [illegible] arranging the [illegible] five-year Eurobonds [illegible] are expected [illegible] be priced [illegible] yield around [illegible] points over US [illegible]

Mr Jan Koukal, [illegible] Prague, [illegible] city wanted to provide a [illegible] for its 1.2m inhabitants [illegible] them [illegible] public transport. "We have many problems [illegible] technology [illegible] were [illegible] trains," [illegible] said [illegible] presentation to [illegible] in London.

More than one-third [illegible] Prague's expenditure [illegible] Kcs16.9bn ($577m) in 1993 [illegible] spent on public transport, the largest single area of the city's expenditure. Mr Koukal said it was likely that the city would have [illegible] continue to heavily subsidise the system.

But he added that this drain on [illegible] should be offset by Prague's strong local economy, its growing revenue base, [illegible] good control over expenditures and its significant property holdings.

● Moody's yesterday placed [illegible] Baa3 long-term foreign currency [illegible] rating [illegible] the Czech Republic under [illegible] for a possible upgrade. [illegible] of debt is [illegible] The [illegible] is motivated by the favourable macroeconomic [illegible] the [illegible] Republic, and the country's progress to a market economy.

Moody's [illegible] shifts in the [illegible] in [illegible] years had not generated significant imbalances, noting that the fiscal budget and current [illegible] the balance of payments had [illegible] slight surplus in [illegible] It added [illegible] although [illegible] economy declined by 1.5 per [illegible] and inflation reached [illegible] cent, these trends [illegible] ongoing structural change.

Vietnam may ease rules

The [illegible] Bank of [illegible] might allow [illegible] commercial [illegible] bonds [illegible] foreign [illegible] later [illegible] year, a senior official said yesterday, AP-DJ reports from Bangkok.

Nguyen Cong Hai, [illegible] of [illegible] bank's foreign department, said the plan [illegible] being studied [illegible] way to [illegible] much-[illegible] capital from offshore [illegible]

"We are doing [illegible] type [illegible] mobilisation possible by issuing [illegible] by [illegible] in Vietnam," Mr Hai said. "This year [illegible] might allow some big commercial [illegible] in Vietnam to issue bonds for that purpose."

The [illegible] bank [illegible] said it [illegible] to launching [illegible] trial tranche of 91-day Treasury [illegible] aimed [illegible] in Vietnam.

Finland's $1.5bn FRN claimed to be too aggressively priced

By Sara Webb

The Republic [illegible] Finland's newly-launched $1.5bn floating [illegible] issue broke syndicate [illegible]terday morning and [illegible] main focus of attention in the international bond market, [illegible] rival syndicates claiming the [illegible] had been mispriced and poorly received by the market.

INTERNATIONAL BONDS

Floating-rate notes have been very much the flavour of the [illegible] quarter of 1994, providing borrowers with a [illegible] cost-effective means of raising funds at a [illegible] considerable bond markets uncertainty.

But [illegible] syndicate officials claim there is now too much floating-rate [illegible] "sloshing around". Borrowers launched the equivalent [illegible] $34.1bn in FRNs in the [illegible] quarter, predominantly in dollars, according [illegible] figures compiled by Euromoney, and syndicates say a considerable proportion [illegible] the [illegible] unplaced.

Goldman Sachs, lead [illegible] for [illegible] Finland $1.5bn deal, [illegible] it [illegible] bought [illegible] $400m [illegible] from [illegible] syndicates after [illegible] deal [illegible] yesterday morning.

The bonds [illegible] a coupon of three-month Libid, [illegible] price [illegible] yield [illegible] basis points [illegible] three-month Libor. [illegible] bonds had [illegible] bought back [illegible] or above, trading within fees. But other syndicates, [illegible] was [illegible] aggressively priced, [illegible] bonds [illegible] initially before recovering.

"The pricing [illegible] and the [illegible] launched into [illegible] market – Goldman [illegible] just buying league [illegible] position," said [illegible] specialist.

[illegible] yesterday came in an [illegible] currencies, [illegible] large convertible bond issue from Thermo Electron and [illegible] couple of Eurosterling deals, from Tate [illegible] Lyle International [illegible] Northern [illegible] Building Society.

Thermo Electron, [illegible] technology [illegible] bond issue, increasing the size by [illegible] The [illegible] per [illegible] coupon and a conver[illegible] premium of [illegible] per cent. Lehman Brothers, [illegible] book-runner, [illegible] about half the issue was sold in the US, and [illegible] in Europe, with strong [illegible] Switzerland, [illegible] UK and [illegible]

Tate [illegible] Lyle, the sugar [illegible] group, launched [illegible] £100m, five-year [illegible] an [illegible] per [illegible] coupon. The bonds were priced [illegible] yield [illegible] points [illegible] five-year gilt: while Tate [illegible] Lyle does not [illegible] a formal credit rating, one [illegible] the joint [illegible] the yield spread [illegible] company's "perceived rating [illegible] around [illegible] A1 or [illegible] area" as [illegible] as taking into account [illegible] "volatile [illegible] conditions". The paper is expected [illegible] be sold mainly to [illegible] institutions.

Northern Rock Building Society [illegible] in [illegible] sterling [illegible] with [illegible] four-year FRN. Sterling specialists [illegible] went well, [illegible] the price edged [illegible] from [illegible] 99.82 by late afternoon.

NEW INTERNATIONAL BOND ISSUES

Borrower	[illegible] m.	Coupon %	[illegible]	[illegible]	[illegible] %	Spread bp	Book runner
US DOLLARS							
Thermo [illegible] Corp.(a)§	300	5.00#	100.00	Apr.2001	[illegible]	-	Lehman [illegible] Intl.
YEN							
Honda International [illegible]	10bn	[illegible]	100.46R	[illegible]	0.25R	-	[illegible] Lynch [illegible]
[illegible]							
Tate [illegible] Lyle Intl. Finance(b)	100	[illegible]	[illegible]	[illegible]	[illegible]	+80 (8%-99)	Hoare Govett/ UBS
Northern [illegible]	100	[illegible]	[illegible]	[illegible]	[illegible]	-	Kleinwort/ [illegible] Warburg
[illegible]							
[illegible] Landesbank	100	9.50	99.249R	[illegible]	0.325R	[illegible] (8½%-04)	ScotiaMcLeod
[illegible] Financial [illegible]	75	[illegible]	[illegible]	May.1999	[illegible]	+79 (7¼%-99)	Wood [illegible]
ITALIAN LIRE							
[illegible] Europe	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible] di [illegible]
SWISS FRANCS							
Winterthur Finance(f)ф	300	2.25	100.00	Apr.1999	-	-	[illegible]
[illegible] Finance	150	4.50	[illegible]	[illegible]	-	-	[illegible] Suisse
Aegon*	100	4.50	[illegible]	[illegible]	-	-	[illegible] Corp.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. §Convertible. фWith equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Conversion price: $47¼. Callable from 15/4/97 at 102% falling 1%pa to par. b) Short 1st coupon. c) Callable on any coupon date from Apr.98 at par. d) 3-mth Libor +⅛%. e) Long 1st coupon. f) Denom: SFr5000 +55 wrts. Exercise period: 1/7/94 - 28/2/96. [illegible] wrts entitle holder to 1 registered share at SFr720.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red [illegible]	Price	Day's change	[illegible]	[illegible]	[illegible] ago
Australia		9.500	08/03	[illegible]	-0.020	[illegible]	[illegible]	7.10
Belgium		7.250	04/04	100.9400	+0.010	7.11	[illegible]	[illegible]
[illegible] *		6.500	08/04	89.2000	+0.300	[illegible]	7.75	7.21
Denmark		7.000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.62
France	BTAN	8.000	[illegible]	107.1900	-0.160	5.78	5.75	5.70
	[illegible]	5.500	[illegible]	92.7200	[illegible]	6.51	[illegible]	6.26
Germany		6.000	09/03	95.4800	-0.030	6.21	6.26	[illegible]
Italy		8.500	01/04	97.3800	+0.220	8.91†	9.16	[illegible]
Japan	No 119	[illegible]	[illegible]	[illegible]	-0.330	[illegible]	3.43	3.70
	No 157	4.500	06/03	[illegible]	[illegible]	[illegible]	[illegible]	4.02
Netherlands		5.750	01/04	95.7000	+0.600	[illegible]	6.61	[illegible]
Spain		10.500	10/03	109.5500	-	8.95	[illegible]	8.61
UK Gilts		6.000	08/99	95-00	[illegible]	[illegible]	[illegible]	[illegible]
		6.750	[illegible]	94-11	-9/32	7.54	7.93	7.06
		[illegible]	10/08	111-00	[illegible]	[illegible]	[illegible]	[illegible]
US Treasury *		5.875	[illegible]	[illegible]	+22/32	6.91	6.67	6.34
		6.250	08/23	[illegible]	+19/32	7.26	7.00	[illegible]
ECU (French Govt)		6.000	[illegible]	93.5500	-0.300	[illegible]	6.98	[illegible]

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding [illegible] at 12.5 per cent payable [illegible] nonresidents)
[illegible] US, UK [illegible] others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime		Treasury Bills and Bond Yields			
		One month	3.60	Two year	5.39
Prime rate	6¼	Two month	3.59	Three year	5.83
Broker loan rate	5	Three month	3.62	Five year	6.41
Fed.funds	3$\frac{9}{16}$	Six month	4.06	10-year	6.90
Fed.funds at intervention	3½	One year	4.66	30-year	7.23

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	[illegible]	[illegible]	Est. vol.	Open int.
Jun	123.90	123.46	-0.44	123.96	[illegible]	232,677	[illegible]
Sep	123.14	122.72	-0.42	123.16	[illegible]	2,708	12,760
Dec	122.44	122.02	-0.42	122.44	122.44	[illegible]	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls May	Calls Jun	Calls Sep	Puts May	Puts Jun	Puts [illegible]
123	-	1.66	1.89	0.60	1.21	[illegible]
124	0.69	1.06	1.40	-	1.56	-
125	0.32	[illegible]	-	-	-	-
126	-	0.39	0.73	2.60	-	[illegible]
[illegible]	-	0.17	-	-	3.67	-

Est. vol. total, Calls 14,739 Puts 17,720. Previous day's open int., Calls 349,916 Puts 231,836.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.20	[illegible]	-	97.30	[illegible]	[illegible]	200907
Sep	96.84	[illegible]	[illegible]	[illegible]	96.76	1260	5591

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of [illegible]

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts [illegible]
9700	0.95	1.29	0.90	[illegible]
9750	0.68	1.07	1.14	[illegible]
9800	0.49	0.85	1.44	2.11

Est. vol. total, Calls 10708 Puts 10370. Previous day's open int., Calls 281036 Puts 243586

■ [illegible] MEDIUM [illegible] BOND (BOBL)(LIFFE)* DM250,000 [illegible]

	Open	Sett price	Change	High	[illegible]	Est. vol	Open int.
Jun	101.11	[illegible]	0.01	101.11	101.07	[illegible]	2327

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	[illegible]	[illegible] vol	Open [illegible]
[illegible]	[illegible]	[illegible]	[illegible]	113.50	112.43	38936	89989
Sep	[illegible]	112.70	0.86	112.56	112.30	[illegible]	[illegible]

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	[illegible] Jun	[illegible] Sep	Puts Jun	Puts Sep
11300	2.01	[illegible]	1.51	3.26
11350	1.75	2.73	2.05	3.53
11400	1.52	2.52	2.32	3.82

Est. vol. total, Calls 1970 Puts 1350. Previous day's open int., Calls 76846 Puts 76699

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	99.63	99.59	+0.06	99.85	99.43	42,769	94,104
Sep	-	99.98	-	-	-	100	100

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	145997
Sep		107-01	[illegible]			0	[illegible]

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
107	2-23	2-58	1-27	2-54
108	1-52	2-28	1-56	[illegible]
109	1-23	2-00	2-27	3-62

Est. vol. total, Calls 3306 Puts 5672. Previous day's open int., Calls 92106 Puts 73014

Ecu

■ ECU BOND FUTURES (MATIF)

	[illegible]	[illegible]	Change	High	Low	[illegible]	[illegible] int.
[illegible]	90.20	89.90	[illegible]	90.20	89.78	2,603	[illegible]

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	[illegible]	Change	[illegible]	[illegible]	[illegible] vol.	Open int.
Jun	[illegible]	[illegible]	[illegible]	106-14	[illegible]	507,710	[illegible]
Sep	[illegible]	[illegible]	[illegible]	104-16	104-01	2,887	42,997
Dec	[illegible]	[illegible]	[illegible]	103-23	103-15	1117	30,827

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) [illegible] of [illegible]

	Open	[illegible]	Change	High	Low	Est. [illegible]	Open [illegible]
Jun	111.35	-	-	111.35	111.11	2045	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day

FT-ACTUARIES FIXED INTEREST INDICES

Price indices [illegible] Gilts	Thu Apr 7	Day's change %	Wed Apr 6	[illegible] interest	xd adj. ytd		Low coupon yield Apr 7	Apr 6	Yr. ago	Medium coupon yield Apr 7	Apr 6	Yr. ago	High coupon yield Apr 7	Apr 6	Yr. ago
1 Up [illegible] 5 years (24)	125.00	-0.04	[illegible]	[illegible]	[illegible]	[illegible] yrs	7.16	7.13	6.59	7.40	7.38	6.95	7.54	7.49	7.16
2 5-15 years (23)	148.33	[illegible]	[illegible]	1.88	[illegible]	15 [illegible]	7.85	7.69	7.71	7.74	7.70	8.14	8.02	7.97	8.39
[illegible] Over 15 years [illegible]	167.55	[illegible]	168.15	1.75	[illegible]	20 yrs	7.74	7.67	7.96	7.74	7.70	8.26	7.94	[illegible]	[illegible]
[illegible] Irredeemables (6)	193.06	-1.04	195.09	3.67	1.47	Irred.†	7.86	7.80	[illegible]						
5 [illegible] (62)	144.61	-0.23	145.24	1.97	[illegible]										

Index-linked							[illegible] 5% Apr 7	Apr 6	Yr. ago	[illegible] Apr 7	Apr 6	Yr. ago
6 Up [illegible] 5 years (2)	184.76	-0.12	[illegible]	0.06	2.83	[illegible] 5 yrs	[illegible]	3.23	2.27	2.37	2.32	[illegible]
7 Over 5 years (11)	180.09	-0.39	180.79	0.85	1.29	[illegible] yrs	3.42	3.39	3.42	3.24	3.21	[illegible]
8 [illegible] stocks (13)	179.68	-0.36	180.33	0.76	1.41							

Debentures and Loans						5 year yield Apr 7	Apr 6	Yr. ago	[illegible] year yield Apr 7	Apr 6	Yr. ago	25 year yield Apr 7	Apr 6	Yr. ago
[illegible] Debs [illegible] Loans [illegible]	136.07	[illegible]	136.53	2.18	3.27	[illegible]	8.65	8.61	8.83	8.76	9.23	8.85	8.82	9.45

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Apr 7	Apr 6	Apr 5	Mar [illegible]	Mar 30	Yr ago	High*	Low*
Govt. Secs. (UK)	97.20	97.60	96.82	[illegible]	95.64	87.20	107.04	96.30
Fixed Interest	117.27	116.31	116.34	115.96	115.14	112.95	133.87	115.14

* for 1994. Government Securities high since compilation: 127.[illegible] (9/1/35), low [illegible] (3/1/75). Fixed Interest high since [illegible] 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	[illegible]	Apr 6	Mar 31	[illegible] 30	Mar 29
Gilt Edged bargains	100.7	102.0	103.0	132.0	120.8
5-day average	112.0	111.6	114.3	124.2	117.2

UK GILTS PRICES

Shorts* (Lives up to Five Years) — Yield Int / Red, Price £, + or -, 1994 High / Low; Treas 11½pc 2001-4, Funding 3½pc '99-4, Conversion 9½pc 2004, Treas 6¾pc 2004‡‡ …; Index-Linked …

[illegible]

Other Fixed Interest

[illegible]

"Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 5:55 pm on April 7

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	[illegible]	93⅛	+⅛	7.61
AlbertaProvince 9¼ 95	600	[illegible]	[illegible]	-⅛	5.70
United Kingdom 7¼ 97	5500	104⅛	104⅜	+⅛	[illegible]
Volkswagen Intl Fin 7 03	1000	100⅝	101⅛		6.86
World Bank 0 15	2000	25⅝	27⅛	+⅛	6.24
Abbey Natl Treasury 8 03 £	1000	93⅛	93½		8.98
Alliance Leics 11⅛ 97 £	100	110⅛	111⅛	+⅛	7.34
British Land 8⅞ 23 £	150	93⅛	[illegible]		9.79

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. [illegible] CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. [illegible]

صكذا من الاصل

COMPANY NEWS: UK

Company confident year will see start of building industry recovery

Hewden-Stuart rises to £19m

By Andrew Bolger

Hewden-Stuart, the UK's biggest independent plant hire com[redacted] [redacted]id yesterday it was still confident that 1994 would see the start of a national recovery in the building and construction industry.

The Glasgow-based group reported a 60 per [redacted] increase in pre-tax profits from £12m to £19.1m *for the year to January* 31, on sales up by 21 per cent to £200m (£165m).

The [redacted] said the improvement reported [redacted] the interim stage had continued, and profits in [redacted] second half were up 90 [redacted] cent [redacted] the [redacted] period last time.

Sir [redacted] Goodwin, chairman, [redacted] the [redacted] had decided last autumn [redacted] this [redacted] see an upturn which [redacted] benefit the [redacted] in due course and had accordingly authorised [redacted] major capi[redacted] investment programme.

He said: "Our very strong [redacted] position, coupled with the enormous cashflow which is now running at over £1m per week, has enabled the directors to take [redacted] long-term view [redacted] capital investment."

Capital expenditure [redacted] from £24m [redacted] £54m, all funded [redacted] of cash balances which remained in surplus at the year-end, and the group [redacted] spending on new plant was *likely* [redacted] continue [redacted] similar [redacted] this [redacted]

[redacted] July Hewden paid £11m for the non-operated plant hire [redacted] of BET Group. The group said these assets had been integrated with existing *subsidiaries, but* [redacted] *contrib*[redacted] profit [redacted] about £8m.

Upturn in demand was clear in the [redacted] the UK, but [redacted] marked in Scotland and the [redacted] of England, which [redacted] by [redacted] and so had smaller scope for [redacted]ery.

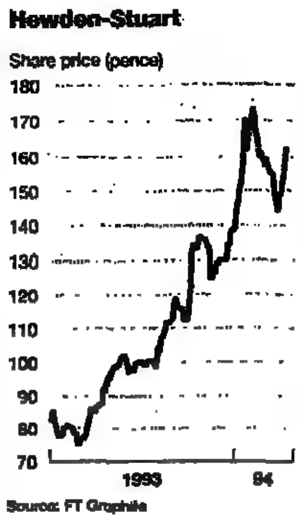
Mr Sandy Findlay, chief executive, said higher utilisation levels meant the group was beginning to be able to ask clients [redacted] pay higher [redacted] for modern equipment.

Earnings [redacted] share rose by 85 per cent to 6.77p (3.67p). A final dividend [redacted] 2.15p makes [redacted] total [redacted] the year [redacted] 2.9p (2.7p).

■ **COMMENT**

Analysts [redacted] full [redacted] praise [redacted] results, and [redacted] shares [redacted] 161p. Even [redacted] tower crane division, which fell off a cliff with the end [redacted] the [redacted] building boom, [redacted] been returned [redacted] *profit.* [redacted] *the acquisition* from BET and the [redacted] to [redacted] capital expenditure [redacted] perfectly [redacted] benefit from an upturn in demand. The shares have outperformed [redacted] by more than [redacted] over [redacted] months, and are currently trading [redacted] a prospective multiple [redacted] 19. That [redacted] premium looks justified, given [redacted] huge operational *gearing,* [redacted] *the quality of* management singles it out [redacted] of [redacted] of [redacted] recovery plays.

Hewden-Stuart



Source: FT Graphite

Clark pays former directors £0.57m

By Peggy Hollinger

C&J Clark, the family owned shoe company which last [redacted] rejected [redacted] invited [redacted] from Berisford International, paid £567,000 in compensation to departing directors, including the former chairman.

The largest payment was £427,000 [redacted] Mr Patrick Farmer, who joined the board [redacted] an [redacted] director following the £15m buy-out, backed by Clark, in 1984 [redacted] Farmer retailing chain.

Mr Walter Dickson, [redacted] chairman who sparked a shareholder rebellion by proposing to sell [redacted] the disputes which had wracked the company [redacted] £140,000. This *represented the balance* [redacted] his [redacted] annual salary [redacted] was outstanding upon his departure [redacted] July.

Mr Roger Pedder, [redacted] replaced Mr Dickson in November, said [redacted] review [redacted] flotation, the compromise which helped to thwart the Berisford bid.

He [redacted] announced [redacted] substantial increase in pre-tax profits from £121,000 [redacted] £20.8m for the year to January 31. [redacted] were 5 per cent higher [redacted] £655.3m.

Mr Pedder [redacted] the performance because [redacted] was "better than [redacted] on which [redacted] Berisford offer [redacted] based, justifying [redacted] by shareholders [redacted] retain [redacted] investment".

Wardle decline to £3m lops 27p off share price

By David Blackwell

[redacted] currency movements and lower interest rates knocked more than £1m from interim profits [redacted] Wardle Storeys, the cash-rich plastics and safety equipment [redacted]pany.

The shares fell 27p [redacted] 435p yesterday as the group announced a 23 per cent fall in pre-tax profits, from [redacted] £3.1m, for the [redacted] months to end-February. Turnover was flat [redacted]

Mr Brian Taylor, [redacted]tive, [redacted] confident for the outlook in the [redacted] half *and* [redacted] *following year.*

Operating profits [redacted] nical products division, which [redacted] specialised plastic [redacted] and coated fabrics, fell from £1.21m to £1.09m on turnover just ahead at [redacted] (£26.3m).

[redacted] figures concealed a strong performance by [redacted] division, Mr Taylor said. Over the [redacted] four [redacted] the [redacted] had invested some £14m in new machinery, resulting in significant [redacted] savings in both manpower and raw material usage. But the benefits had been more than [redacted] by a [redacted] adverse movement in the lira against sterling.

The division [redacted] per [redacted] in Italy, [redacted] main customers include [redacted] and Zanussi.

Operating profits [redacted] safety and survival equipment division fell from [redacted] on turnover [redacted] (£11.9m). Mr Taylor described the market for inflatable life [redacted] and other marine safety equipment as tough.

The [redacted] profits downturn to [redacted] the parachute business had been expected, but significant orders, including one from the French [redacted] ministry, had been [redacted]

Net interest receivable fell from £1.3m [redacted] £757,000. The [redacted] ended the period with net [redacted] £26m (£23m).

Earnings [redacted] down from 10.9p [redacted] 8.3p. The interim dividend is unchanged at 5p.

[redacted] *expecting an* exceptional profit [redacted] £1.5m in the second half from [redacted] sale [redacted] land.

Alexandra Workwear lifts dividend by 47%

By [redacted] Hollinger

Alexandra Workwear, the uniform supplier, yesterday increased [redacted] by [redacted] cent on [redacted] back [redacted] substantial improvement [redacted] annual pre-tax profits from £1.7m to £4.6m.

Mr Julian Budd, finance director, [redacted] increase marked [redacted] dividend", which was cut in 1992 when [redacted] into [redacted]

[redacted] pay-out [redacted] from [redacted] 5.6p, including [redacted] increase in the final to 2.1p. For [redacted] first [redacted] in [redacted] dividend [redacted] covered, with earnings rising from 3.5p [redacted] 9.5p.

The improvement in profits was [redacted] in [redacted] for the [redacted] January [redacted]

Mr [redacted] margins [redacted] improved by two points [redacted] cent, due to a shift towards higher quality busi[redacted] "In previous [redacted] was [redacted] need to get . . . volume [redacted] low prices," Mr Budd [redacted] "We are now seeing [redacted] strategic [redacted] dropping out."

Profits also benefited from [redacted] sharp [redacted] in [redacted] payments from £1.7m [redacted] £800,000. [redacted] had reduced [redacted] from [redacted] per [redacted] shareholders' funds [redacted] last year.

Owen & Robinson recovers

By Maggie Urry

[redacted] Robinson, the jewellery and footwear retailer which underwent a capital reconstruction last [redacted], returned to profit in 1993-94 – with help from one-off gains.

In [redacted] year [redacted] January 31, pre-tax profits of £111,000 compared with [redacted] of [redacted]. However, [redacted] forewarned [redacted] year, no dividend [redacted] recommended.

The group's shares, which had risen recently on rumours that Mr Philip Green, former chairman of [redacted] Day, planned [redacted] buy [redacted] 15.8 [redacted] stake, added 4p [redacted] 30p.

Turnover fell 15 per [redacted] to £21.6m, although within that the sales through the Foothold [redacted] rose [redacted] per cent.

Operating profits were [redacted] but this included [redacted] gains such as a £235,000 [redacted] back of provisions [redacted] longer *needed,* [redacted] *insur*[redacted] claim worth £394,000 and [redacted] £258,000 refund from a pen[redacted] scheme.

Interest [redacted] fell from £920,000 [redacted] £367,000 after [redacted] reconstruction and *share placing.* Earnings per share were 0.48p [redacted] losses).

Sharp gain at Sentry Farming

Shares in Sentry Farming Group jumped [redacted] the Suffolk-based company reported pre-tax profits [redacted] than [redacted] £334,000 [redacted] £786,000 [redacted] 1993.

Turnover [redacted] per [redacted]

USM-quoted Sentry attributed the result [redacted] an improved [redacted] of farming [redacted]ciency and an increase [redacted] acres farmed, together with the [redacted]fit of currency [redacted]

[redacted] share [redacted] from 6.9p to 11.1p, while the dividend is stepped up [redacted] 2.25p (1.5p).

Wolseley £57m Austrian buy

By David Blackwell

Wolseley, [redacted] expanding heating and plumbing [redacted]tor, [redacted] Germany and the [redacted] Austro-Hun[redacted] empire.

Yesterday, [redacted] announced the acquisition for £56.9m [redacted] the [redacted] Group, the biggest distributor of plumbing supplies in Austria.

Mr Jeremy Lancaster, chairman of Wolseley, said OAG [redacted] company's [redacted] German speaking acquisition, which he hoped would [redacted] in time [redacted] further growth in Germany, Hungary and [redacted] Czech Republic.

OAG, founded in 1871, has [redacted] branches in Austria. It [redacted] operations to [redacted] Europe [redacted] 1990 and [redacted] It [redacted] five branches in Germany, five in Hungary and four in [redacted] Czech Republic. Operating profits last year [redacted] on [redacted] of £187m. [redacted] were £18.2m.

The [redacted] is Wienerberger Baustoffindustrie [redacted] Vienna, a leading Austrian quoted [redacted]pany.

The deal should be completed [redacted] about eight weeks, depending [redacted] regulatory approvals. It could [redacted] terminated if [redacted] approvals [redacted] given [redacted] the end of the year.

Wolseley [redacted] financing [redacted] with [redacted] August through a placing of 8.7m shares, and [redacted] making up [redacted] balance through [redacted] own [redacted]

[redacted] company has been looking for [redacted] opportunity [redacted] expand [redacted] on mainland Europe since acquiring [redacted] of [redacted] February 1992.

Neotronics shares fall on warning

[redacted] in Neotronics Technology, [redacted] maker [redacted] analy[redacted] equipment, fell 32p [redacted] 84p yesterday following a warning from the company that profits for the six months to March would be "significantly" lower than [redacted] previous [redacted]

It blamed disappointing sales [redacted] products in North America which [redacted] mainly to "product availability problems in the face of changing market requirements caused by recent legislation".

DIVIDENDS ANNOUNCED

		[redacted] payment	Date of [redacted]	Corres - [redacted]	Total for year	[redacted] year
Alexandra	fin	3.5	July [redacted]	[redacted]	5.6	[redacted]
Amec	fin	[redacted]	July 1	1	3	[redacted]
Brammer	fin	[redacted]	July 1	8.5	13	13
Goldsmiths	fin	1	Aug 29	0.3	[redacted]	0.3
Gowrings	fin	1	June 3	1	2	2
Hewden-Stuart	fin	2.15†	July 14	1.97*	2.9	2.7*
Highland Dist	int	[redacted]	June 8	1.6	-	6.6
Invesco	fin	2.5	July 1	2	3.5	3
Sentry Farming §	fin	2.25	June 1	1.5	2.25	1.5
United Friendly	fin	11	May 23	9.8	16.5	[redacted]
Wardle Storeys	int	5	July 1	5	-	[redacted]
Wilkes (James)	fin	nil	-	0.25	1.5	3.5

Dividends shown pence per share net. †On increased capital. *Equivalent after allowing for scrip issue. §USM stock.

O'Reilly to retain Independent stake

By Raymond Snoddy

Mr Tony O'Reilly, the Irish publisher and [redacted], has decided to [redacted] his large minority state in Newspaper Publishing, owner of the The Independent and the Independent on Sunday.

Mr O'Reilly, chairman of Independent Newspapers, of Ireland, paid £23m for a 29.9 per cent stake in the loss-making newspaper group.

The Irish company could have made a £1m profit today if it had decided to accept the offer for the shares made by the consortium which controls The Independent. The consortium includes Mirror Group Newspapers, El Pais of Spain and La Repubblica of Italy.

Mr Liam Healy, chief execu[redacted] of the Irish [redacted] said [redacted] he believed that The Independent [redacted] around [redacted] the [redacted] be a good one [redacted] his shareholders.

"We see [redacted] scope [redacted] cost [redacted] revenue improvements [redacted] should transform [redacted] Publishing into a profitable company," said Mr Healy, who added that his group intended to be a long [redacted] and supportive share[redacted]

If, as seems likely, Newspaper Publishing will have to raise an additional £20m in *some form, the Irish may have* to put up another £7m.

COMPANY NEWS: UK

Cassell to be valued at £15m in May float

By [redacted] Bolger

Cassell, the publisher which recently bought the Victor Gollancz fiction imprint, will come to the market next month through a placing which will give the group a market capitalisation of about £15m.

[redacted] a publisher of dictionaries [redacted] reference books [redacted] was this imprint [redacted] was sold in 1986 by CBS, the US [redacted] a management buy-in [redacted] by Mr Philip Sturrock, an experienced publisher [redacted] by venture capitalists.

[redacted] lifted Cassell's sales from £3m in 1986 to [redacted] year, mainly by [redacted] acquisitions.

[redacted] include [redacted] Lock, best [redacted] for its [redacted] Beeton cookery books; Arms [redacted] Armour Press, a specialist [redacted]tary imprint; and [redacted] Orchard, which supplies bargain bookshops.

Philip Sturrock: raised sales from £3m in 1986 to £20m last year

This buying [redacted] heavily geared [redacted] group [redacted] further expansion by acquisition. It said [redacted] acquired [redacted] largely loss-making and under-exploited. [redacted] integration [redacted] involved [redacted] cost-savings.

[redacted] still plenty [redacted] potential acquisi[redacted] targets and the "next stage" [redacted] to [redacted] turnover to [redacted] least £100m. The group, which employs [redacted] people, [redacted] the UK – mainly in [redacted]

Unipart climbs to record £24.9m

By John Griffiths

Unipart, the motor components and accessories manufacturer and distributor, made record profits for the [redacted] succes[redacted] year in 1993.

[redacted] profits [redacted] £24.9m for the year to December 31 were 26 per cent higher than the previous £19.8m, on *turnover* up 8 per cent at £714.1m [redacted]4m).

The increase was achieved against a background of slow recovery by the UK motor industry from its steepest recession on record and a 15 per cent slump in vehicle demand in continental Europe.

The performance [redacted] claimed by Mr John Neill, [redacted] executive, to vindicate "the long-term view" which he [redacted] was privatised from [redacted] a [redacted]ment-led buy-out in [redacted]

The company [redacted] per [redacted] owned by management and employees, [redacted] by [redacted]tutional [redacted] and [redacted] per [redacted] by Rover.

Mr Neill said he did [redacted] expect Unipart's own [redacted] be affected in the short term by BMW's takeover [redacted] Rover and Honda's initially hostile reaction to it.

Rover and Honda account for the main portion of Unipart's components manufacturing business, but Honda has indi[redacted] *that existing* contracts with Rover will be honoured and in the meantime, is continuing to expand its own car-making operations at Swindon, Wiltshire.

Mr Neill would not comment on longer-term implications [redacted] the [redacted] for Unipart.

However, it [redacted] likely [redacted] be [redacted] beneficiary [redacted] the expan[redacted] production [redacted] Rover [redacted] which BMW [redacted] already hinted.

At [redacted] one other leading German manufacturer [redacted] understood [redacted] made approaches about possible component supplies.

Mr Neill [redacted] he [redacted] for [redacted] further [redacted] in profitability in 1994.

Gowrings recovers to £251,000

Sustained growth from its leisure and food services [redacted] a downturn on [redacted] side [redacted] Gowrings [redacted] turn [redacted] from a restated pre-tax [redacted] *£251,000 profit* in 1993.

Turnover edged ahead to [redacted] (£52m), [redacted] profit [redacted] exceptional credits [redacted] (£42,000) – mainly a surplus on disposal of fixed [redacted]

***Earnings per share* were 2.29p (1.4p losses) and [redacted] final dividend [redacted] an unchanged 1p for a same-again [redacted] of 2p.**

Motor [redacted] profits fell to [redacted] (£406,000) [redacted] a [redacted] of lower manufacturer's discount and incentives [redacted] £99,000 [redacted] redundancy costs.

[redacted] however, lifted profits from £293,000 to £522,000, [redacted] results from the BurgerKing [redacted] and an improvement at Park Homes.

The company said trading for the last quarter of 1993 [redacted] markedly better. This trend had been maintained in [redacted] first quarter of this year, with both the motor and [redacted] showing an *improvement over last* year.

Ugland Intl makes £1.5m acquisition

Ugland International has acquired Gerrards Rederi, the holding company of a ship owning and management [redacted] for $2.25m (£1.51m) [redacted] Mr [redacted] Ugland and family, [redacted] a 66.67 per [redacted] interest in Gerrards.

Capel hits out at analysts over recovery prospects

By David Wighton

Analysts [redacted] underestimating [redacted] for profits [redacted] UK industrial companies [redacted] the next two years, according to research from James Capel.

The stockbroker's market strategy team [redacted] analysts, including [redacted] own, are being [redacted] cautious about prospects [redacted] growth [redacted] margins [redacted] concludes that cyclical recovery stocks [redacted] *cheap.*

The report, entitled A [redacted] Pathology, [redacted] "substantial [redacted] for [redacted] earnings surprise in UK industrial stocks". It points to experience [redacted] the US, where corporate earnings have been [redacted] 3 per [redacted] better [redacted] expected over the past year.

Aggregate projections from Capel's sector analysts forecast earnings per share growth of 19 per cent in 1994 and 13 per [redacted] in 1995. [redacted] the report forecasts 25 per cent and 20 per [redacted] growth. That reduces the prospective *p/e* for industrial [redacted] 16.5 [redacted] 15.5.

[redacted] rapid growth will be [redacted] in [redacted] Capel *predicts* "it [redacted] *well* [redacted] another 3-4 [redacted] before [redacted] cycle peaks". Over the [redacted] years [redacted] UK should [redacted] profit growth [redacted] 11.5 [redacted] cent, taking GDP profits' [redacted] levels last seen in the early 1960s.

The bullish forecasts are [redacted] partly on the prediction of low growth in input costs, such as [redacted] materials, utility prices [redacted] labour, compared with manufacturers' prices, together with continued productivity improvements, particularly in services.

Capel [redacted] believes that companies have become more "operationally geared" [redacted] the last decade, judging by [redacted] sharp rise [redacted] capital/labour [redacted] This [redacted] mean [redacted] changes in turnover will have a greater impact on profits.

The [redacted] Capel's [redacted] analysts [redacted] annual [redacted] growth [redacted] over [redacted] next [redacted] nominal growth [redacted] the UK economy. But, [redacted] recovering, [redacted] strategy [redacted] could [redacted] modest, given [redacted] half the [redacted] UK industrial compa[redacted] are [redacted]

[redacted] report [redacted] analysts may [redacted] from [redacted] they misjudged [redacted] impact of [redacted] on UK industrial profits.

[redacted] generally, forecasters [redacted] gauge [redacted] timing [redacted] of turning points in the profits cycle.

"[redacted] failed [redacted] predict [redacted] earnings downturn in 1991 and [redacted] much [redacted] they [redacted] failed [redacted] predict [redacted] upturn in 1983 and 1984."

Consistent sales growth lifts Goldsmiths to £1.55m

[redacted] Group, the retail jeweller which runs 111 branches throughout the UK, returned pre-tax profits of £1.55m [redacted] 11 months to January 29.

[redacted] compared with just £48,000 for [redacted] 12 months [redacted] February 27 1993 and was achieved on [redacted] of a [redacted] in turnover [redacted] to [redacted] On a comparable basis, the sales rise was 11 [redacted] cent.

[redacted] Jurek Piasecki, chair[redacted] trading [redacted] "consistently good" across all product groups and through the country [redacted] whole. Exceptional growth was experienced in the south of England.

He added [redacted] significant increases in sales [redacted] recorded each month, culminating with an "excellent" Christmas period, [redacted] on a like-for-like [redacted] 13 per [redacted] up on [redacted] previous year.

[redacted] upward [redacted] had continued into the current year with sales in F[redacted] and March some 15 per cent ahead of 1993's figures.

[redacted] charges were [redacted] to £1.26m (£1.86m). Earnings [redacted] share emerged [redacted] 5.11p (0.12p) and the single dividend [redacted] stepped [redacted] from [redacted] 1p.

[redacted] the year-end, borrowings had [redacted] reduced by [redacted] with gearing standing [redacted] per cent).

Regal Hotel back in the black

Regal Hotel Group, the acquisitive operator of 3-star provincial hotels, returned to profit in the [redacted] January 2, aided by the deconsolidation [redacted] its Bramhope offshoot.

Pre-tax profits of [redacted] included [redacted] exceptional [redacted] related [redacted] Bramhope. This resulted from [redacted] subsidiary [redacted] controlled by the Royal Bank of Scotland and representing [redacted] that [redacted] part of Regal prior [redacted] its [redacted] in December 1992.

Turnover in [redacted] period under review amounted [redacted]

The year [redacted] December 27 [redacted] a £500,000 [redacted] under [redacted] 3) [redacted]

The group acquired [redacted] hotels last year and a further three have [redacted] purchased – [redacted] conditionally – so far this year. This [redacted] that its portfolio now comprises eight [redacted] which six are [redacted] and two [redacted]

The company, traded on [redacted] USM, said that [redacted] operating [redacted] from continuing operations of [redacted] – exclu[redacted] exceptional redundancy costs of £49,000 – [redacted] in line [redacted] expectations. It [redacted] *attributed to the head office* overhead being in place before the build up of the hotel portfolio.

It intends to accelerate its acquisition programme this [redacted] while maintaining [redacted] the commercially-driven provincial [redacted] hotel market and a modest level [redacted] gearing.

[redacted] noted that a steady improvement had been experienced in trading conditions since the last quarter [redacted] 1993.

COMPANY NEWS: UK

Invesco shows sharp increase to £33.4m

By Bethan Hutton

Invesco, the international fund management group, reported sharply improved profits after a year of worldwide restructuring and negative publicity in the UK.

Pre-tax profits for the year to end-December were £33.4m, against £12.6m last time, and were struck after exceptional costs of £2m – down from £16.6m in 1992. *Income for the* [redacted] by [redacted] to £172m.

Profitability [redacted] in the US division. The North American region [redacted] profit of £41.7m, while the Pacific region incurred a [redacted] The European *division, including the UK,* made an initial profit [redacted] but exceptional items turned [redacted] into [redacted] £10.6m.

The exceptional [redacted] resulted [redacted] an £11.5m out [redacted] court settlement [redacted] a legal [redacted] pute [redacted] Mirror Group pension scheme and [redacted] £3m write-off of computer software costs.

They were offset by several positive items, including [redacted] from the sale of investments in [redacted] Industries [redacted] Second Consolidated Trust, which contributed [redacted] and [redacted] respectively.

Mr Charles Brady, chairman, described 1993 as a "confused" year, and said that while 1994 would be better, [redacted] would not reach its full potential until 1995 or beyond.

Tony Andrews

Charles Brady flanked by Norman [redacted], chief executive officer (left), and Hubert Harris, chief finance officer

Administrative reorganisation [redacted] and [redacted] from areas other than the core business of fund management will continue this year, and more job losses are likely in the UK. A consolidation of unit trusts is also planned.

Funds under management at the year-end were £45bn, up from £40bn at the end of 1992.

The proportion [redacted] US sources grew to 80 per cent, from 78 per cent, while Euro[redacted] per cent to 16 per cent, with the balance from the Pacific region.

Earnings per share emerged at 10p (2.5p), and the total dividend is raised 0.5p to 3.5p via [redacted] final of 2.5p.

Development Securiti[redacted] buys portfolio of London properties

By Simon Davies

Development Securities, the revamped Clayform Properties headed by Mr Martin Landau, the property entrepreneur, has acquired a £92m portfolio of primarily office properties.

The company, which will assume £64m of debt with the portfolio, is raising £19.3m through a placement to partly fund the £29m net purchase price.

Since Mr Landau joined the board of Development Securities last [redacted], the company has issued £80m of new shares and built up net assets of £83m following this latest transaction.

Mr [redacted] Ware, joint managing director, said: "We're now at a size where we can grow organically." He pointed out that the company would not issue more equity for at least a year.

The latest purchase comprises 17 properties, mainly in the Greater London area. They currently produce net rental income of £7.3m, representing a yield of 7.9 per cent.

Development Securities will pay £1m in cash and issue 10m shares at 30p. The remaining £22m will be [redacted] via [redacted] loan note or cash. It paid £3m for an initial option on the properties, which [redacted] purchased from private companies controlled by Mr RJ Livingstone.

The company will [redacted] £18.3m [redacted] of expenses from the placement of 64.66m new shares, priced [redacted] 30p. There is [redacted] clawback for existing shareholders on a 3-for-10 basis.

Metals foray benefits Middlesex

By Peggy Hollinger

[redacted] Holdings yesterday announced [redacted] return [redacted] the black [redacted] the operating level in its first results since entering the metals trading business in the *former Soviet Union.*

[redacted] former Ferromet, which [redacted] by Mr Phil Edmunds, [redacted] Middlesex [redacted] England cricketer, [redacted] profits [redacted] £158,000 in 1993, against a loss [redacted] £1.1m, on sharply [redacted] sales of £2.2m (£7.24m).

[redacted] of an excep[redacted] from dis[redacted] in 1992 [redacted] in [redacted] sharp fall [redacted] pre-tax profits from £7.85m to £155,000.

[redacted] per [redacted] fell from 2.71p to 0.03p and, as previously, [redacted] no [redacted].

[redacted] operating profit [redacted] due to a [redacted] trading contribution from metal trading businesses formerly owned by Mr [redacted] Alikhani, [redacted] Iranian-born businessman

[redacted] companies were injected [redacted] Middlesex as part of [redacted] capital restructuring and £754,725 rights [redacted] Mr Alikhani was appointed chief executive at the same time.

Following the restructuring, 29.9 per cent of Middlesex is held by Mr Alikhani, his family, and [redacted] group of seven Russian investors.

Mr Alikhani says he intends to exploit the lack of financial infrastructure in the former [redacted] many local companies unable to transact business in neighbouring republics.

Middlesex currently buys raw materials to supply to smelters, which then pay the company in the finished product. The group is also [redacted] in oil trading.

Middlesex intends to expand in the CIS and has recently appointed Mr Alexander Vladislavev, vice-president [redacted] Russia's equivalent of the CBI, as an executive director.

Mr Alikhani has warranted to bring trading profits of \$1m (£600,000) into Ferromet.

This had already been [redacted] since the [redacted] were injected, he said.

Brammer edges ahead to £8.3m

By David Blackwell

Brammer, [redacted] industrial services group, reported a marginal increase in pre-tax profits from £8.22m [redacted] in [redacted] to end-December.

The latest figure was struck after a £900,000 loss on the disposal in November of Master *Pumps Equipment,* [redacted] *US* subsidiary, [redacted] able of £1.2m, compared [redacted] charge in [redacted]

At the [redacted] profits were [redacted] from [redacted] £10.4m. [redacted] from [redacted] to £141m, mainly reflecting the first full year of [redacted] Service, [redacted] bearings [redacted] acquired [redacted] 1992.

"The underlying [redacted] showed a very [redacted] operating performance," said Mr Rob[redacted] Ffoulkes-Jones, chief [redacted]tive. The first quarter this year [redacted] shown [redacted] improvement [redacted] first-quarter 1993. "[redacted] continue we [redacted] have [redacted] strong 1994."

[redacted] cent [redacted] bearings and power [redacted] products, in [redacted] leader [redacted] UK [redacted] France, and 19 per cent rental of test equipment.

BSL, the power [redacted] business in the UK, increased its market share, lifting sales by 5.4 per cent and profits by almost 15 per cent. Roulement sales were down 3.3 per cent, but the French market overall was 15 per cent down, Mr Ffoulkes-Jones said. He wants to push the French market share ahead to [redacted] similar level to that of BSL – more than 35 per cent.

Group operating profits in the UK rose from £7.92m to £10.5m on turnover of £97.4m (£91.4m). [redacted] European [redacted] an operating loss of £233,000 on turnover of £36.4m, compared with profits of £172,000 on turnover of [redacted]

[redacted] rental division, which specialises in [redacted] testing equipment, [redacted] operating profits [redacted] (£22.7m). The group had [redacted] its former dependence on [redacted] for [redacted] per cent of its business by switching [redacted] communica[redacted] just [redacted] of turnover.

[redacted] borrowings fell from £8.1m to £2.1m, helped by a [redacted] placing in September. Gearing at the year end was 6 [redacted] cent).

Earnings [redacted] unchanged [redacted] 13.3p, [redacted] a same-again final dividend of 8.5p is proposed, maintaining the total [redacted] 13p.

COMMENT

[redacted] survived [redacted] recession with [redacted] unbroken run [redacted] 13p [redacted] for [redacted] past [redacted] years. [redacted] yield of more than 5 per cent is itself a good enough reason for hold[redacted] on to the shares. Profits of £11m this year put the group on [redacted] prospective multiple of almost 19. The main business of transmission distribution is strong, and at last the rentals business is beginning to make some money. Worth a look if you believe there is a growth story in sight.

UniChem returns to the acquisition trail

UniChem, the pharmaceutical [redacted] chemist retailer, is paying £9.2m for Hall Forster, a wholesaler in [redacted] upon Tyne, [redacted] Galen, [redacted] chain of 10 pharmacies in the Midlands, writes David Wighton.

Hall Forster made a pre-tax profit of £626,000 before directors' emoluments of £194,000 in the year to March 31 1993, on gross sales of £34.7m.

It [redacted] the second regional [redacted] acquired by UniChem in the past six months. In December, it paid £8.9m for [redacted] Alliance.

The 10 Galen pharmacies will increase the number of outlets in [redacted] Moss chain to 292.

The group is also acquiring Eldon Laboratories, [redacted] small manufacturer of bespoke medi[redacted]

London coffee futures surge to fresh highs

By Deborah Hargreaves

Coffee prices reached a new high point yesterday as July futures on the London Commodity Exchange soared [redacted] tonne [redacted] close at $1,440 a tonne. Even some London traders were surprised [redacted] the strength of the market, which [redacted] seen prices rise by nearly $100 a tonne in the past week.

Fund buying continued to push up the price yesterday, but trade and roaster buyers were also active in the market. Rumours that the Ivory Coast was about to halt coffee and cocoa exports unless shippers paid a back-dated export tax also helped [redacted] fuel the market.

A report on levels of coffee stocks by E.D & F. Man, [redacted] London trading house, helped to underpin prices. The report concluded that stocks of robusta coffee held by consum- [redacted] dropped [redacted] uncomfortably low levels.

The broker estimated that stocks of [redacted] coffee in consumers' hands had fallen [redacted] 16.9m bags [redacted] the end [redacted] February, 3.3m bags below from the level a year earlier.

The fall in stocks underlines the [redacted] the producers' retention scheme whereby exporters withhold up [redacted] per cent of supplies from the export market. This [redacted] up in October last year with the aim of eroding the consumer stocks that were hanging over the market.

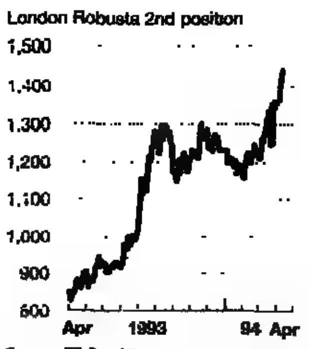
But crop problems in producing countries have probably [redacted] more to fuel [redacted] coffee shortages. In Indonesia heavy rains have delayed shipments and [redacted] prices, but the overall size of the crop is [redacted] expected to [redacted] and production [redacted] to [redacted] up slightly [redacted] last year at 7m bags.

However, [redacted] Ivory Coast crop [redacted] believed to be much lower than last year [redacted] between [redacted] and 2.5m bags, compared with 3m bags.

Soaring prices in [redacted] market have [redacted] speculative interest, which traders believe could switch quickly [redacted] another market once prices begin [redacted] fall, exacerbating any downturn. "At some point the bubble will [redacted] could [redacted] quite ugly," one [redacted] commented.

Coffee

London Robusta 2nd position



Source: FT Graphite

China aims to revive gold mining

By Our Beijing Staff

China plans to spend Yn1.66bn (US$190m) this year in an effort [redacted] revive its struggling gold mines, which have been starved of new investment because of the [redacted] purchase price.

"The money will help improve working conditions of the gold mines and upgrade technology," said Mr Jiao Zhi, head of China's Gold Bureau.

He was speaking after a national gold conference in Beijing, at which broadening reforms of the gold-mining sector, including providing new regulations to [redacted] foreign investment, [redacted] discussed.

China's [redacted] Bureau, under the Ministry [redacted] Metallurgical Industries, [redacted] presented a draft law to State Council, China's cabinet, aimed at facilitating foreign involvement.

[redacted] People's Bank [redacted] China, the country's central bank, which [redacted] a monopoly [redacted] gold purchasing [redacted] a [redacted] per cent decline in its gold acquisitions last year in [redacted] of a 7.5 per cent increase in production nationally.

[redacted] official purchase price [redacted] many hard-pressed mine [redacted] faced the prospect of being unable to [redacted] workers and sustain production [redacted] *to sell* [redacted] *black market.*

[redacted] purchases [redacted] in latter part of [redacted] following [redacted] increase in [redacted] official purchase price to [redacted] figure [redacted] represented [redacted] discount of about [redacted] per cent [redacted] international price.

■ *Venezuela has between $100bn* [redacted] *$140bn worth* [redacted] gold [redacted] in [redacted] southern [redacted] Guyana, according [redacted] Mr Francisco Layrisse, [redacted] cabinet minister and president of the state-owned Corporacion *Venezolano de Guayana.*

"We have regions where [redacted] have [redacted] per tonne, while South Africa [redacted] today extracting between two and three ounces," [redacted] told the daily Economia Hoy.

Sugar-beet to displace grain in Portugal

By Peter Wise in Lisbon

Portugal is [redacted] make an important shift away from cereals [redacted] beet [redacted] cultivation following government approval for an Es15bn ($87.7m) Italian-managed [redacted] sugar refinery that will supply more than 20 per [redacted] of [redacted] country's [redacted] consumption.

The project involves replacing wheat and maize cultivation in central and southern Portugal with 10,000 hectares of sugar-beet to supply the refinery with [redacted] tonnes [redacted] year, enough [redacted] produce about 60,000 tonnes [redacted] Portugal [redacted] present has only [redacted] of experimental beet sugar crops.

"Beet sugar has already proved [redacted] profitable than cereals for Portugal and the difference will [redacted] even greater when our European Union subsidiaries for cereals [redacted] withdrawn in 2001," said Mr Diamantino Diogo, director of Fenacam, an investor in the refinery.

Portugal [redacted] tonnes [redacted] sugar a year, produced by [redacted] from imported sugar-cane. The [redacted] try will now fulfil a 60,000-tonne beet [redacted] production quota awarded when it joined the EU in [redacted] Talks are under way in Brussels [redacted] whether this beet sugar quota will be added to [redacted] subtracted from Portugal's cane [redacted] production quota.

Societa Fondiaria Industriale *Romagnola (SFIR)*, an [redacted] sugar company, owns 60 per cent of Dai-Sociedade de [redacted] Agro-Industrial, the [redacted] investing in [redacted] refinery. [redacted] Portugal and Tate and Lyle of the UK, [redacted] existing refinery companies in Portugal, each owns [redacted] per cent. Fenacam and the Portuguese state holding company IPE [redacted] 15 per [redacted] each.

[redacted] EU and the Portuguese government will together provide Es9.8bn in grants for the project in Coruche, central Portugal. SFIR will invest Es3.6bn [redacted] manage [redacted] plant. The refinery, due to begin production in June, [redacted] will employ [redacted] people directly and [redacted] another 1,500 jobs for farm [redacted] and truck drivers.

Cuba plans sales to China as harvest hopes fade

[redacted] Canute James [redacted] Kingston, [redacted]

[redacted] sell an unspecified quantity of sugar *to China this* year, amid indications [redacted] the yield from the shortened [redacted] harvest will be less than [redacted] government had previously expected.

The [redacted] part [redacted] *trade agreement* [redacted] countries, under which Cuba will purchase Chinese [redacted] and medicine, according to [redacted] Latina, [redacted] official *Cuban news agency.*

Diplomats in Havana, the island's capital, said this [redacted] that the Cuban government [redacted] now estimating [redacted] production this [redacted] "no [redacted] than [redacted] tonnes", following last *year's* 4.2m tonnes.

They said government officials had spoken at the [redacted] of the [redacted] likely yield [redacted] 1m tonnes more than [redacted]

The current [redacted] been shortened by the government, which [redacted] it concluded at [redacted] end of April to allow more [redacted] for planting additional [redacted] for future harvests, as part of [redacted] rehabilitate [redacted] industry.

■ Zambia's industry is [redacted] receive technical and industrial assistance from Cuba, under an agreement in principle between both countries. Cuba will help [redacted] with sugar production [redacted] the development [redacted] a [redacted] of bi-products, according to [redacted] foreign [redacted] who [redacted]

US company to develop Peruvian gas field

By Sally Bowen [redacted] Lima

The Maple Resources Corporation of Texas has signed a [redacted] with PeruPetro, the Peruvian [redacted] company, [redacted] develop [redacted] Aguaytia natural [redacted] in [redacted] jungle. It [redacted] the [redacted] operations contract signed under Peru's [redacted] hydrocarbon law, passed [redacted] August, and will involve Maple [redacted] an [redacted] investment of [redacted] and US$150m.

In the first phase, Maple Resources will develop [redacted] nearby oil [redacted] production [redacted] about 800 [redacted] of crude a day.

Maple [redacted] also expected [redacted] running [redacted] Pucallpa refinery.

Development [redacted] will follow. Aguaytia [redacted] 300,000m cubic [redacted] recoverable [redacted] Construction [redacted] a processing plant, [redacted] pipelines and local storage [redacted] liquefied petroleum [redacted] will [redacted] required.

In [redacted] third stage, Aguaytia's [redacted] will be [redacted] generate electrical [redacted] for [redacted] Pucallpa region from [redacted] 140MW plant.

Russia seen pricing itself out of western aluminium market

By Kenneth Gooding, Mining Correspondent

Aluminium production costs in the Commonwealth of Independent States moved above those in the western world last month, according to the Anthony Bird Associates consultancy organisation.

It predicts: "in time, the Russians will price themselves out of western markets as a result of this cost explosion".

CIS costs reached just over [redacted] cents [redacted] pound in March compared with [redacted] average in *the west of 49.7 cents* [redacted] *pound*, Bird estimates in its latest annual review of the aluminium industry.

In 1990 CIS costs were only 3 per cent of the western world average, by mid-1993 were still only [redacted] per cent of the levels ruling in the west, "but hyper-inflation in the CIS has proceeded at a faster rate than the rouble has been falling," says Bird.

It suggests that, ironically, short-term pressure on the Russian producers has been reduced by the agreement *recently reached by some of the major aluminium-producing countries to cut production.* This has pushed up prices just in time to help the Russian industry.

Nevertheless, [redacted] says that *by 1995 the cost problem will* be starting to restrain CIS supply to a greater extent than is foreseen in the international agreement – under the terms of which the Russians have undertaken to reduce output by [redacted] annual 500,000 tonnes. "We expect further falls in [redacted] exports from [redacted] former socialist countries in 1996 [redacted] 1997."

Bird forecasts that, assuming exchange rates remain stable, the London Metal Exchange three-month price [redacted] aluminium will average 57.5 cents a pound this year and rise *steadily to* [redacted] *average of 98.5 cents* (in March, 1994, money) in the year 2004. This is because [redacted] predicts shortages of smelting capacity but says producers will want [redacted] long-term prices well above 70 *cents a pound before they will* be willing to invest.

Aluminium Annual Review: £1,015 from Bird Associates, 193 Richmond Road, Kingston upon Thames, Surrey KT2 5DD, UK.

EU banana deal rejected

[redacted] Deborah Hargreaves

Six Latin American banana exporting countries have rejected [redacted] recent deal between four other producers and the European Union, which ended [redacted] long-running dispute [redacted] to the European market.

At [redacted] *meeting* [redacted] *Ecuador*, [redacted] foreign ministers of Ecuador, Guatemala, Honduras, Panama, Mexico and the Dominican Republic rejected last week's agreement with [redacted] European Commission to increase the Latin American quota to 2.1m [redacted] *year from 2m* [redacted]

The commission [redacted] agreed with Costa Rica, Colombia, Nicaragua and Venezuela to increase access after they [redacted] complaint to [redacted] General Agreement [redacted] Tariffs and Trade. *Guatemala* [redacted] also a signatory to the complaint, which [redacted] upheld by [redacted] Gatt panel. [redacted] it accounts for only 1.5 per [redacted] *of EU* imports and [redacted] Commission [redacted] proceed in spite [redacted] its opposition.

MARKET REPORT

Aluminium finds support

ALUMINIUM prices [redacted] to *session highs* [redacted] after hours "kerb" trading [redacted] the London Metal Exchange, erasing earlier losses [redacted] positioning themselves for [redacted] further rally, dealers said.

Overnight investment [redacted] selling [redacted] market looking vulnerable [redacted] $1,290 a [redacted] three months delivery. [redacted] "there was good support [redacted] lows," said one trader, "and [redacted] close [$1,300.50 [redacted] tonne, down $11.25] [redacted] us back [redacted] $1,300-$1,320 band again, with a *good chance of taking* out [redacted] highs."

[redacted] recovered from [redacted] morning lows, but [redacted] months price still closed $17 down [redacted] $1,876 a tonne, the lowest for [redacted] weeks.

[redacted] *prices* rallied smartly from four-month lows, with [redacted] market's fundamentals not really justifying sharp declines, while selling below [redacted] lacked follow-through.

Compiled [redacted]

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated [redacted] Trading)

■ ALUMINIUM, 99.7 PURITY [redacted] per tonne)

■ ALUMINIUM ALLOY [redacted] per tonne)

■ LEAD ($ per tonne)

■ NICKEL ($ per tonne)

■ TIN ($ per tonne)

■ ZINC, special high grade ($ per tonne)

■ COPPER, grade A ($ per tonne)

■ LME AM Official £/$ rate: 1.4880

LME Closing £/$ rate: 1.4803

■ HIGH GRADE COPPER (COMEX)

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Precious [redacted] continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

■ CRUDE OIL IPE ($/barrel)

■ HEATING OIL NYMEX (42,000 US galls; cents/US galls)

■ GAS OIL IPE ($/tonne)

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

■ UNLEADED GASOLINE

GRAINS AND OIL [redacted]

■ WHEAT LCE (£ per tonne)

■ WHEAT CBT

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

■ BARLEY LCE (£ per tonne)

■ SOYABEANS CBT

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

■ SOYABEAN MEAL CBT (100 tons; $/ton)

■ POTATOES LCE (£/tonne)

■ FREIGHT (BIFFEX) LCE ($10/index point)

Wool

There are no wool auctions until next week and closing [redacted] before the Easter [redacted] were not enough to foster any follow-through business in semi-processed wool products. Also textile trading in general has been quiet with holidays having maximum effect. Prices are stable, with little support from demand or even enquiry, and currency changes have been erratic and uncertain enough to enhance pricing problems. The general view is that the [redacted] market is still [redacted] to rise, [redacted] for [redacted] moment it is difficult to think of anything short-term to push it. Stockpile sales in Australia continue steadily, with only [redacted] few weeks [redacted] go before [redacted] is [redacted] rather than more freely by [redacted] negotiation with Wool International.

SOFTS

■ COCOA LCE (£/tonne)

■ COCOA CSCE (10 tonnes; $/tonnes)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LCE ($/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) [redacted] cents/pound)

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

■ WHITE SUGAR LCE ($/tonne)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

VOLUME DATA

INDICES

■ REUTERS (Base: 18/9/31=100)

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

■ LIVE HOGS CME

■ PORK BELLIES CME (40,000lbs; cents/lb)

LONDON TRADED OPTIONS

■ ALUMINIUM

■ COPPER (Grade A) LME

■ COFFEE LCE

■ COCOA LCE

■ BRENT CRUDE IPE

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/May)

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

■ OTHER

CROSSWORD

No.8,423 [redacted] by DANTE

[redacted]

1 Artist's [redacted] pay? (6)
4 Lent [redacted] brought forward (8)
9 [redacted] sorry for sounding [redacted] job [redacted] one lady (6)
10 See 12
12 New calculating rules for mathematicians (8,8)
[redacted] Irregular forces decoration (6)
[redacted] He's very stupid [redacted] continue (4)
[redacted] Impressive result of adding hundreds of dollars? (5,5)
19 Union negotiator (10)
20 Yard [redacted] square measure (4)
23 They're very fast but may be shot (6)
25 Star strikes a [redacted] pose (8)
27 Way in for transport (8)
28 Two companies joining together [redacted] a silk product (6)
29 Sadly they lack an opener (8)
30 It's built as [redacted] ocean container (6)

[redacted]

1 Tackle [redacted] vote-manipulating (7)
2 Wait outside Ascot for a change of clothing [redacted]
3 Plunder and desecrate [redacted] (6)
[redacted] Pull upward (4)
[redacted] Account presented to [redacted] clergy- [redacted] *absolutely* correct (8)
7 Groups of agents in prison (8)
[redacted] Plunder piled [redacted] haphazardly (7)
11 Good route for a long-distance driver (7)
14 [redacted] and produce an angry reaction (7)
17 Area in which great fear holds it [redacted] your head (9)
[redacted] One Nebuchadnezzar fired settled [redacted] hard [redacted]
[redacted] Something [redacted] astound Pound or another poet (7)
[redacted] Look [redacted] way with suspicion (7)
22 Swallow [redacted] dove circling [redacted] ancient city [redacted]
24 French physicist [redacted] rise (5)
[redacted] One outside hospital [redacted] need [redacted] (4)

[redacted]

PERILOUS SPAWNS
UNDERLAY STORED
CULINARY DEBATE
ADDITIONAL
TWENTIETHS
LITMUS AUTOMATE
TWINGE UTENSILS
CASKET FEBRUARY

JOTTER PAD

■ East Kent Initiative achieves [redacted] key objective: see report, PAGE II

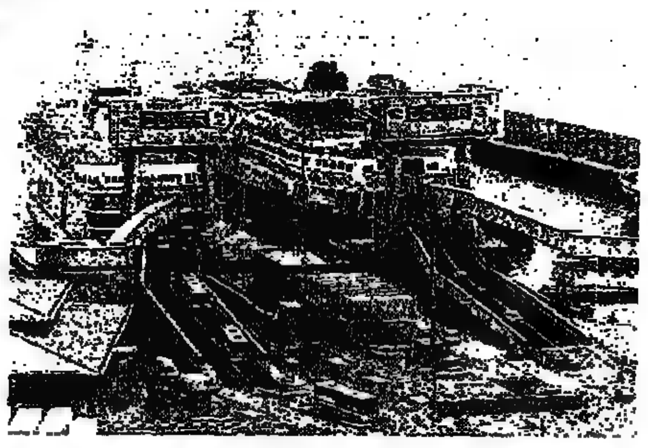
FINANCIAL TIMES SURVEY

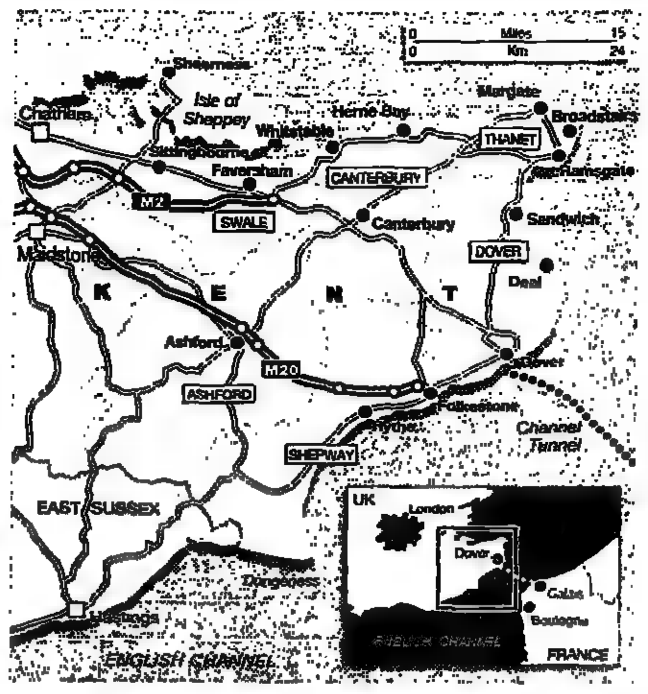
EAST KENT

Friday April [redacted] 1994

■ Strong potential of the region's business parks: PAGE III

Opportunities have been created to make East Kent one of the most promising business locations in the UK. Bold plans are now under way to attract further investment and jobs, as **Richard Evans** reports here





□ Pictured, top left: a Channel tunnel train – the rail route is crucial to the development of the market town of Ashford: see Page II.
□ Top right, Dover Harbour, Eastern Docks – the cross-channel ferry companies in combative mood are now concentrating on new, higher quality services, see Page III.
□ Boats, lower left, moored at Ramsgate Harbour.
□ Crowds, lower right, throng the picturesque High Street at Canterbury, the Cathedral city and university centre.

A move in the right direction

It has taken [redacted] long time for East Kent [redacted] get [redacted] the [redacted] that [redacted] economic needs are more akin to those of deprived industrial areas in the midlands and north of England than to the rest of the traditionally [redacted] south-east – but a good start [redacted] been made.

The granting last summer of assisted area status for most of the coastal strip of North and East Kent was a considerable achievement which should help to attract investment and jobs. It marked a recognition by the government that the area has specific problems that need urgent attention.

The problems stem from many complex factors – a decline in traditional jobs such as agriculture, engineering and coal mining, changes in the pattern of tourism in the coastal resorts, the impact of the single European market on ports like Dover, and the rationalisation of cross channel ferry services to compete with the channel tunnel.

A study in the late 1980s on the likely impact of the tunnel showed that these structural and cyclical changes could leave the area short of 40,000 jobs by the turn of the century.

Big improvements in the region's transport system have spurred interest among investors

Local authorities and the private sector therefore decided jointly to launch the East Kent Initiative to lobby for aid, and the campaign for assisted area status has now been won. Sir Alastair Morton, chairman of the EKI and of Eurotunnel, summed up local feelings: "We have cracked the conventional Whitehall and Tory Party wisdom that there is no depression or misery in good, solid Tory south east England ... the area has a stagnant economy, a low skill base and poor infrastructure and was on a descending spiral."

The task now is to make full use of assisted area status, he said – "this gives East Kent huge advantages in relocating companies. Now we have to exploit that asset and tell business everywhere – in the UK, on the continent and further afield – of the benefits we have to offer."

Four travel-to-work areas, Dover and Deal, Shepway, Swale and Thanet secured assisted area status, three as intermediate areas and Thanet as a development area where higher levels of grant are available, including access to categories of European aid.

The need to overcome the image problem East Kent faced from being part of the south-east is evident from a drive around the Isle of Sheppey, through the stranded former pit villages, and along the down-at-heel coastal resorts, many of them with more social security bed-and-breakfast occupants than holidaymakers. It can be a depressing experience on the sunniest of days.

Thanet, one of the hardest hit, has an unemployment rate of 16.8 per cent, making it the sixth worst blackspot in the country. The problems have been caused by the decline in tourism as its traditional London visitors chose the sunshine of the costas instead, and by tighter manning of the Ramsgate [redacted]es to meet competition from the tunnel.

Unemployment in Dover and Deal and in Folkestone has also been affected by cutbacks in ferry manpower and by the loss of over 5,000 jobs among local customs agents following the introduction of the single European market.

Dover, as the biggest cross channel operator, expects more job lo[redacted] when the tunnel opens. Swale, which includes the Isle of [redacted] and Sittingbourne, [redacted] unemployment of over 14 per cent, but there are much worse pockets in Sheerness.

The deep water port has a flourishing car and fresh fruit importing trade, but new jobs are needed desperately. The Olau ferry line has recently announced the curtailment of [redacted] Sheerness [redacted] Vlissingen, Holland, service which [redacted] expected to [redacted] directly [redacted] indirectly to the loss of several hundred jobs.

Having [redacted]ed gov[redacted] help, the next move by [redacted] authorities, Kent Training and Enterprise Council, and private companies under the EKI umbrella, is to capitalise on it.

The strategy is two-fold – to seek more infrastructure improvements and to make sure there are suitable sites prepared for potential inward investors.

A number of infrastructure projects have already been made to improve access to the more peripheral areas. The M20 motorway has been completed to Folkestone and Dover and the tortuous Thanet Way linking Ramsgate and Margate with the M2 is becoming dual carriageway.

The next crucial improvements are better rail services and stock on the notorious north Kent line, and better access from the M2 to the Isle of Sheppey and Sheerness.

A new crossing is not due to be started until 1997, even though the only access at present is via a swing bridge which stops traffic for five minutes in every hour.

The full impact of the channel tunnel on the local economy remains unclear. Recent estimates suggest it could take 35 to 40 per cent of passenger traffic and up to 20 per cent of the freight market when it is fully operational.

It will obviously continue to affect the ferries, but they remain bullish about their future provided they can retain competitiveness.

For the rest of the East Kent economy, much will depend on the imminent decision on where to route the Ashford section of the high speed rail link from the tunnel to London. There are three options, two of which would go through the town and the £80m international passenger station now being built, [redacted] third would loop to the north, leaving only a spur line into the town.

Local authorities and the East Kent business community argue it is essential that the line should go through Ashford so that the town can fulfil its role as a centre of expansion for the whole area.

Without the full use of the station they fear that parts of the area would remain too peripheral and that the potential benefits of the tunnel would be lost.

Planners are making sure there are suitable sites prepared for more inward investors

Ashford is the only part of East Kent that has fully fledged development sites and business parks ready for early occupancy, and this is seen as a top priority for the rest of the area.

A number of promising sites have been designated, including White Cliffs at Dover, Kent International at Manston in Thanet and Cheriton Parc at Folkestone but more infrastructure and access work needs to be [redacted] before they become fully operational.

Mr Ken Welsh, seconded from Dover district council as the EKI's inward investment manager, says: "The keys [redacted] the future are inward investment and marketing. We have many natural advantages as the closest part of the UK to the continent and as a pleasant environment, and now we have the grants, but we have to get our flagship business parks opened up so that we can welcome new jobs."

Mr Martin Hemingway, just returned to Eurotunnel after running EKI since [redacted]s launch in late 1991, sums up the general feeling: "We have got to the point where opportunities have been created to make East Kent one of the most exciting business locations in the UK. The next stage is to take advantage of those opportunities."

■ EAST KENT INITIATIVE

More inward investment sought

The first key objective of the East Kent Initiative has been achieved with the granting of assisted area status [illegible] the government's acknowledgement of the region's problems, but this does not guarantee recovery. Much more work [illegible] to be done and the Initiative is now concentrating on attracting inward investment.

"The important point is that people now know where we are. We are getting many [illegible] inquiries and we [illegible] convert these into jobs," says Mr Martin Hemingway, general manager of the EKI [illegible] its launch at the end of 1991.

However, Mr Hemingway, returning to Eurotunnel after his two-year secondment, [illegible] that the government grants, while welcome, do nothing to change the underlying problems.

"The structural difficulties remain – there is insufficient strength in manufacturing and the major employment areas like the cross-channel ferries, [illegible] services and mining are in decline or employ fewer people. It is [illegible] long-term problems that we have to combat."

The EKI, a partnership of Whitehall, local government and the private sector, was established to counter these long-term employment problems, exacerbated by the introduction of the single European market and the construction of the channel tunnel. A study in the late 1980s showed there could be a shortfall of [illegible] jobs by the year 2000 if no action was taken. The idea was that one powerful umbrella organisation would be more effective at hammering home the need for [illegible] and support than individual organisations and local authorities fighting the [illegible] but separately.

Core funding [illegible] from four main private sector [illegible] British Telecom, Dover Harbour Board, Eurotunnel and P & O European Ferries, whose contributions are matched by the Department of Employment.

Other contributors are Kent county council, Kent training and enterprise council, and [illegible] local authorities in East Kent, Ashford, Canterbury, Dover, Shepway, Swale and Thanet. Chairman of the EKI is Sir Alastair Morton, chairman of Eurotunnel.

[illegible] of the member organisations have provided personnel, and funding for individual projects has been [illegible] from a variety of private and public [illegible] including the European [illegible] fund. The newly-appointed general manager is Mr Ian Gill, former chief executive of Thanet district council, the only local authority in East Kent to have [illegible] full development area status.

The role of the EKI has been to stimulate and regenerate the rundown local economy, partly by self-help and partly by persuading Whitehall that the job could not be done without outside aid.

The success in achieving assisted area status came from persuading ministers and senior civil servants that some areas in the historically prosperous south-east deserved help as much as economic blackspots in the midlands and north.

Assisted area status is not seen as a panacea but as help that will tip the balance in favour of a faster recovery and a more secure future. The main objectives now are to encourage the completion of key development sites to enable new jobs to be created, and to ensure that further improvements are made to East Kent's transport infrastructure.

The EKI has been organised into five action groups – inward investment and promotion; infrastructure and site development; [illegible] development and training; business development and trading links; and tourism. Each has its own co-ordinator and a small core staff at the Dover headquarters.

Many improvements have already [illegible] to the region's infrastructure, including completion of the M20 motorway to Folkestone and Dover, but more needs to be done.

Thanet, the district with the highest unemployment levels that covers Margate, Ramsgate and Broadstairs, is still too isolated, but access will be easier when dual carriageway improvements to the Thanet Way are completed and [illegible] rolling stock is introduced on the notorious north Kent commuter railway.

The most intransigent employment problems in Swale are centred on the Isle of Sheppey, [illegible] despite the potential for growth at the deep [illegible] port of Sheerness, has a depressed local economy and is handicapped by having only one crossing to and from the mainland, a swing bridge that disrupts traffic for five minutes in every hour.

The other big problem facing the EKI in its battle to attract inward investors is the lack of available premises. Half a dozen potentially [illegible] parks have been earmarked for development, including Kent International adjacent to the airport at Manston in Thanet, White Cliffs at Dover, Cheriton [illegible] and Eurolink at Sittingbourne, but they need substantial infrastructure improvements including better access.

This work is seen as a top priority by Mr Ken Welsh, EKI's inward investment manager – "we have got to get our [illegible] parks opened up as fast as possible, otherwise there is a danger that potential jobs will go elsewhere."

Talks are taking place with English Partnerships, the government development agency, to get work on the parks started soon. The only town in the area with [illegible] parks ready for [illegible] is Ashford, designated by the county council as an area for growth, but take-off here awaits a decision on routing the channel high speed rail link through or around Ashford and its international passenger station.

Mr Welsh and his [illegible] are targeting six sectors of industry and [illegible] that would be suitable for East Kent and the available workforce – food [illegible], construction materials, medical products, paper and packaging, high technology including ceramics, and business services.

"What we badly need is a flagship project of high quality where we can show what we *can* do to the company's satisfaction. This would act as a catalyst for others," he says.

One of the area's problems has been the dearth of large companies because of the lack of a manufacturing base. Around 93 per cent of businesses employ less than 20 people, and apart from specialist employers like the ferry companies, among the few [illegible] stories have been Pfizer, the US-owned healthcare company which employs 2,500, including 1,200 research staff at Sandwich; *Portex*, the medical products [illegible], based at Hythe and Folkestone; Knauf, the building materials producer, near Sittingbourne; and Sericol, the industrial inks specialist, [illegible] Broadstairs.

Richard Evans

■ EDUCATION AND TRAINING

Striking the right balance

The [illegible] in traditional industries and the need to attract inward investment [illegible] led to the introduction of a range of training provisions for industry and management throughout East Kent, writes *Richard Evans*.

The need is particularly acute because dependence on industries and services like coal mining, tourism and cross channel ferries has led to a dearth of up to date skills in [illegible].

But although these needs are recognised, a difficult balance is having to be struck on how best to [illegible] the limited budget [illegible] improving skills and putting maximum resources towards improving the infrastructure in order to attract more jobs.

Mr Ken Welsh, inward investment manager at the East Kent Initiative, appreciates the dilemma more than most – "we see the top priority as getting [illegible] business parks completed so that companies can move in straight away, while at the same time giving any help we can to improve local skills. But it is no use going overboard on training without attracting the jobs."

The decision last year to grant Dover, Shepway (Folkestone) and Swale (Sheerness and Sittingbourne) intermediate area status and Thanet (Margate, Broadstairs and Ramsgate) full development [illegible] should make more money available for skills training, both from UK and European Union sources.

In addition, increasing use is being made of the facilities available at Kent University, based in Canterbury, and other higher education colleges, and a range of management training programmes being introduced by the recently launched Kent Chamber of Commerce and Industry.

Unemployment across East Kent [illegible] 10.7 per cent, but this includes travel to work areas of relative prosperity like Ashford and Canterbury. There are areas with chronic unemployment problems like Thanet (16.8 per cent) and among the worst blackspots in the country), and [illegible] and Sittingbourne with 14.7 per cent, though the level is much higher in parts of the Isle of Sheppey.

Folkestone's level is 13.4 per cent [illegible] per cent, but both [illegible] are expected to [illegible] the channel tunnel comes into operation and the ferry companies [illegible] to compete.

Kent Training and Enterprise Council, a non-profit making partnership [illegible] and local and central government to stimulate growth and to expand the pool of available skills, has [illegible].

The training for [illegible] and the training credits programmes target for special [illegible] school leavers and the long-term unemployed, offering [illegible] training and job placements.

Training for work provides people out of a job for more than six months with vocational training and work placements, and individually tailored packages are provided. Training credits allow 16 and 17 year olds leaving school to claim up to 6,000 worth of vocational training.

Kent University adds £100m and 3,360 jobs to the region's economy

In a partnership between Kent Tec and Dover district council, engineering and technical training is available which give grants of up to 50 per cent of costs for workers in local manufacturing companies employing fewer than 350 people. Small companies are given priority.

Kent Training Centre, also in Dover, was set up by Kent county council over five years ago to provide construction industry training. The range of courses covers bricklaying, plastering and carpentry, and there are many short courses in a range of construction skills. The centre is adapting to the changing needs of industry on qualifications more towards the training of all-rounders rather than single craft specialists.

An imaginative scheme is being launched by Swale borough council at Sheerness where the site of a former [illegible] sailors' rest home is being converted into a 41-bed training hostel for young people at a cost of 1.3m. They will be trained either on site or elsewhere locally and use the hostel as a base. The scheme, based on a French idea for training hostels, should be launched by the end of the year.

An area with equally intractable though very different problems is Romney Marsh in Shepway, where the decline in agriculture, poor communications, a low skill base, low wages and high unemployment are compounded by poor access. The [illegible] project, funded by the county council, Kent Tec and the rural development commission, has sought to develop training and [illegible] opportunities, particularly for young people. Courses have included computing, languages and catering.

At a more advanced level, South Kent College with sites at Dover, Folkestone and Ashford offers a wide range of vocational training opportunities including business and management studies, engineering and construction, information technology and languages.

Kent University has developed into an important research and teaching centre. It is an acknowledged centre of excellence in biotechnology, fibre optics, medical electronics and computer networks, providing research and statistical services for industry and [illegible] organisations and local and central government.

As the largest employer in Canterbury, the university adds some £100m and [illegible] jobs to the economy of East Kent.

One of the most interesting developments at Canterbury has been the establishment in 1992 of Chaucer College within the university campus. It is an independent college owned by the Japanese Shumei educational foundation, which provides Japanese nationals with an education in western culture, history and politics.

The Kent Chamber of Commerce, launched last autumn in an attempt to co-ordinate the efforts of a dozen small local organisations, has already becoming the third largest chamber in the UK with 3,000 businesses in membership, 17 staff and a growing range of training courses, many specifically tailored for local needs.

Ian Gill, general manager of East Kent Initiative, and formerly chief executive of Thanet District Council

Optimistic: Ken Walsh, inward investment manager, East Kent Enterprise, part of the East Kent Initiative

■ ASHFORD

Poised for take-off

Civic leaders and the business community of Ashford have [illegible] decades of frustration. The town, well-placed in the centre of East Kent to take full advantage of improved communications and the opening of the Channel tunnel, has been earmarked as a growth centre for years, but take-off has been disappointingly slow, writes Richard Evans.

The vision is there and much of the infrastructure has been put in place, but fresh difficulties keep on emerging to delay the full realisation of the ambitious plans.

Ashford, an historic market town, began to diversify in the 1950s when it agreed to take some of London's overspill population, and growth was steady if unspectacular.

It was earmarked more specifically as a growth centre in Kent County Council's structure plan, being ideally situated to take advantage of growing trade links with Europe. The intention was that it should become a focus for inward investment that would benefit the whole of East Kent. The town's potential as a centre for strong economic growth was further boosted by the channel tunnel project and the decision to build an international passenger station in the town as part of the fast rail link from the tunnel at Folkestone to London. It is here that problems continue to dog development plans.

When Mr John MacGregor, transport secretary, announced the approved route for the rail link in January, there remained two areas of uncertainty. One was near [illegible] in north Kent and the other was around Ashford. The battle is still being fought and its outcome is regarded as crucial to the full development of Ashford as a growth centre.

There are three possible routes under discussion, central and southern ones that would go through the new station, and a more northerly one that would bypass it.

The northerly route parallel to the M20 motorway would, in the view of the town's civic leaders, be a big economic blow as it would mean a smaller number of diverted trains would call at the station. Most would travel straight to and from London.

Mr Ernie Moster, chief executive of Ashford Borough Council, expresses a common view: "We strongly favour a line going through the new station as it would bring greatly increased prosperity to the whole of East Kent. The northern option would mean we'd have all the environmental drawbacks of the rail link – and none of the economic benefits."

Preliminary work has already started on building the station and completion by a consortium led by John Laing is expected by the end of next year. The [illegible] project involved the redevelopment of the BR [illegible] site and the construction of new platforms and an international terminal building with parking for [illegible] cars.

If the main line goes through the station rather than a spur, the service to be known as [illegible], will run between 10 and 15 trains a day with Brussels just two hours away and Paris slightly more. Overnight trains will also run to Amsterdam, Cologne, Frankfurt and Dortmund. Ashford would be the only passenger stop between London and the continent.

An important infrastructure element is Ashford's southern orbital road which provides access to two business parks including the [illegible] Orbital development. The adjacent 114-acre Waterbrook site, owned by Eurotunnel Developments, has outline planning permission for the relocation of Ashford's cattle market, and for hotel and leisure uses as well as office, industrial and warehouse developments, a truck stop and customs clearance facilities.

The truck stop will be the only one on the M20 corridor [illegible] for trans-shipment, warehousing and wholesale distribution. On the town's northern outskirts is the Eureka science and business park, a 135-acre site owned by Trinity College, Cambridge and aimed primarily at international companies requiring prestigious landscaped sites for research and development.

A question mark hangs over the development as the controversial northern route for the rail link would cut across a corner of the park and prevent the construction there of leisure facilities planned by the local authority. A final decision on the route is expected within weeks and if it goes as the council hopes, everything will then be in place for the long-awaited surge in growth that will enable the town to fulfil its role as the catalyst for jobs throughout the East Kent area – "we are poised for take-off and we have a good reputation for getting things done," says Mr Moster.

■ THANET

Progress is being made

Bright new signs at the London end of the M2 and M20 motorways into Kent signal the way to Ramsgate. It is a small indication, but an important one, of the [illegible] of Thanet to put itself much more prominently on the map. It has certainly needed to, for Thanet is among the most run-down parts of the south-east and is in desperate need of funds to improve its infrastructure in order to attract more inward investment, writes *Richard Evans*.

"The problem is that many people don't know where Thanet *is*. We have had to set about putting that right," says a local authority official. The increased prominence being given to Ramsgate is one success [illegible].

Previously, Dover was by far the most prominently advertised channel destination on the routes out of London, followed by Folkestone, and with Ramsgate scarcely getting a look in, despite its flourishing cross-channel ferry and jetfoil services.

It was all part of a pattern, with the Isle of Thanet as it is officially known, separated from the rest of Kent by the river Stour. The divide is now more psychological than physical but the area, which includes the resorts of Margate, Broadstairs and Birchington as well as the port of Ramsgate, is still seen as somewhat isolated and peripheral.

All this could be about to change with the successful application by Thanet for development funds, both UK and European Union sourced. Thanet is now the only assisted area with full development area status in the south-east, an indication both of the [illegible] battle fought on its behalf and of the severity of the economic problems it faces.

The area has suffered steady [illegible] over the last two decades and has a unemployment rate of [illegible] per cent, the sixth highest in the UK and comparable with the worst blackspots in the industrial north. The weak economy is due to the decline in tourism and manufacturing, poor communications and its remoteness from the rest of the country. There is therefore an urgent need to diversify and enhance Thanet's economy on a broad front. The problems remain substantial but progress is being made and the potential is there.

Mr Ian Gill, former chief executive of Thanet district council and recently appointed chief executive of the East Kent Initiative, says: "The big achievement has been to gain recognition for the problems of Thanet. We must now build on this success by helping existing businesses and by unlocking funds to create the right sites for inward investment."

Development area status means that Thanet will have access not only to substantial UK government funds but also to European regional development funds available for both infrastructure and training projects.

Infrastructure projects are already under way or programmed in order to end the area's relative isolation. These include upgrading to dual carriageway for its entire length the Thanet Way, the [illegible] link with the M2, improving access to Ramsgate port, and improving the road from Thanet to Ashford with its projected channel rail link passenger station.

Great importance is placed on developing the Kent International Business Park adjacent to the joint civil and military airport at Manston in the centre of Thanet.

Thanet's biggest difficulty has been that even if inward investors show interest, there are too few sites available for immediate occupancy. But the potential at Manston is considerable, and top priority is being given to improving the infrastructure with UK and EU funds so that more businesses can be attracted.

Thanet hopes to get £12m in European regional funds for the site and £20m from other sources so that work can be completed quickly. The Manston site would then provide low cost development land, immediate access to the airport with its long runway and new £2m terminal building, and easy access to the port of Ramsgate three miles away.

Mr David Ralls, ex-Army officer and helicopter pilot and Thanet's new chief executive, is optimistic – "Manston's location so close to Europe and the easy availability of air and sea transport should make it an unbeatable combination."

EAST KENT III

David Lawson examines the potential for the region's business parks

Crouching on the starting blocks

Satellite pictures of south-east England reveal a strange phenomenon. Two tendrils snake out of the pulsating blob of metropolitan London like some amoeba stretching to link with another life-form. A few years ago, nodules *sprouted* along these glinting lines but appear to have stopped growing recently.

The analogy is not far from reality. As Britain moved towards economic unity with the rest of Europe over the last decade, the M2 and M20 motorways ploughed physical connections east and south through [illegible] region traditionally left to farmers.

Developers [illegible] not far behind the earth movers, darting left and right to *stake out huge claims*. In an area short on large towns, business parks [illegible] ered the only outlet for future growth.

More than half a dozen now cluster [illegible] the southern strip from Ashford [illegible] Dover, and another handful cling to the northern fringes of east Kent. But the [illegible] has taken longer to arrive than [illegible]. Impressive gate[illegible] often lead off new access roads on to cleared fields; new building[illegible], however, [illegible] few and [illegible]r between.

Two schools of thought try t[illegible] explain why these giants lie sleeping. One inevitably involves the tunnel – "we are all crouched on [illegible] starting [illegible] for it to happen," [illegible] Steven Harris [illegible] agents Conrad Ritblat, who is overseeing *the 100-acre Orbital Park, one of five big* schemes clustered around Ashford.

"I have inquiries for more than 1m sq ft of space and expect to get half of this scheme away as soon as they see trains going through."

Not everyone has held [illegible] BP Travel [illegible] acres as [illegible] national distribution centre for brochures imported from the Continent. Similar regional [illegible] organisations [illegible] expected [illegible] pay around £300,000 an acre *or 6.50 a sq ft for buildings* in future.

"Around 30 per cent of all goods coming through the tunnel will end up in the south-east," he says. And if they fill this site, Eurotunnel Developments [illegible] the [illegible] *Waterbrook Park* [illegible] road.

Others emphasise more wide-ranging reasons for the surge – and subsequent slowdown, in building – "we have suffered the same way [illegible] other region from the recession," [illegible] Charles Stevens of *Cluttons, which revealed the weakness of* tenant demand in [illegible] property market study – "delays to the tunnel opening are merely a coincidence."

That [illegible] a chord with David [illegible], who is in [illegible] unique position to assess the region. He helped build Stockley Park, the first and most [illegible] UK development of this kind, in the economic cauldron west of London. He [illegible] just outside [illegible] Kent, running the 650-acre King's Hill *development for* [illegible] near Maidstone.

"Kent suffered from [illegible] roads and a general feeling [illegible] companies [illegible] councils that the Garden of Kent should be left unploughed," he [illegible] it is [illegible] *fiting from* [illegible].

That [illegible] why [illegible] wants [illegible] almost 3m sq ft of business and leisure space, plus [illegible] to 1,500 homes on the former airfield [illegible] Malling. But it [illegible] geared very much to taking [illegible] office overflow paying up to [illegible] as ft or *350,000 an acre. Most of East Kent's parks* will be distribution centres, which would probably [illegible] sprung up even without the tunnel, spawned b[illegible] fast roads and closer European ties.

The effects of recession show up more clearly along the northern coast. Mark Cunningham of Cormorant, for instance, admits [illegible] would [illegible] expected things to [illegible] long developing *the potential 1m sq ft* [illegible] *Abbey Farm Business* Park, [illegible] Faversham, when it was planned during [illegible] boom – despite [illegible] attractive [illegible] the [illegible]. But [illegible] been handed a crucial advantage through the [illegible] assisted [illegible] status, which [illegible] *provide* [illegible] *for an* [illegible] *bridge as well* [illegible] incentives for tenants.

The Wiggins Group has even more [illegible]son to celebrate, as its K[illegible]t International park near Ramsgate is getting an [illegible] benefit from Objective Two status granted by the European Union – "that will pro*vide money to link the site to the fast* Thanet Way, giving dual-carriage [illegible] motorway links right through [illegible] the M25," says [illegible] Lansbury, [illegible] managing director.

With labour costs 10 per cent lower than south Kent and land prices around [illegible] an [illegible] grow [illegible] than some of the newer parks.

As they look [illegible] tunnel, [illegible] be [illegible] concentrating on the neighbouring airport [illegible] the build-up of an air-freight distribution centre.

So the tunnel is not the sole [illegible] driving this region. It already has a pedigree, growing faster than the rest of the UK in the [illegible] and [illegible] back [illegible] *higher as* [illegible], [illegible] it now has [illegible] infrastructure and the Single European Market in its favour. It actually starts from [illegible] better base than [illegible] more popular [illegible] *during the boom* because there is no massive overhang of empty space, according to a study by Nicola Morrison, Russell Chaplin and Jon Potter at the Cambridge University Department of Land Economy.

This points out that East Kent – particularly Ashford and Folkestone – could benefit from planning restrictions and lack of town-centre office sites elsewhere in the county. And parking requirement seem likely to push that activity onto the parks.

Overall demand will be far below that in the [illegible] however, whereas the [illegible] for [illegible] will [illegible] much higher right through the decade, says the study.

Manufacturing premises (between 10,000 and 15,000 sq ft) are already in short supply, particularly in Tunbridge [illegible] Ashford.

Distribution seems set to hold the centre [illegible] however, and despite hundreds [illegible] acres [illegible] for development, only a *year's supply* [illegible] warehousing [illegible] immediately available.

"[illegible] potential for development [illegible] considerable, particularly [illegible] the Channel Tunnel is integrated into the infrastructure," [illegible] study. Ashford [illegible] *once more as an important* [illegible] its strategic position. It [illegible] showing shortages of premises over 25,000 [illegible] even though the region's total supply exceeds demand.

■ THE FERRIES FIGHT BACK

Pain amid the gain

Sightseers used to swarm out on sunny summer weekends to see giant mechanical diggers start hacking a giant hole into the chalk Downs behind Folkestone. For some, however, it was a view into another kind of pit, *writes David Lawson.*

Ferry traffic dominated the small port's economy, and what future was there if passengers disappeared into a hole in the ground before they even reached the coast?

"There was a general air of gloom in 1986 when the tunnel got the go-ahead," admits Ian Todd, information director for P&O European Ferries. "We knew that in theory it could take all our custom."

The choice was simple: sit back and hope the project would fizzle into bankruptcy, or fight to keep a large chunk of the market.

Attack was chosen as the best form of defence. A quick, hard strike through price cuts could cripple Eurotunnel in the early years when it was constrained by heavy debts. But this could not be guaranteed – and carried hidden dangers. The tunnel would be an even more formidable competitor once relieved of its debts by bankruptcy, according to Roger Vickerman, professor of regional and transport economics at the University of Kent.

So the industry opted for a campaign of cost-cutting and investment. It also brought in a new ally when Sealink, the other big operator, was taken over by Stenna of Sweden in 1991. Folkestone was an early casualty in the crossfire. Just as the tunnel terminal emerged [illegible] the edge of [illegible] town, most of the ferries deserted – "it was just too small for the new generation of super-ferries," [illegible] Brian Rees of Stenna. Around *700 jobs and the spin-off from* more than 1m [illegible] a year, disappeared. But Dover, which [illegible] the prospect [illegible] losing pre-emi[illegible] smaller neighbour because of the tunnel terminal, won a large consolation prize. P&O has invested more than £400m in new ships and training while Stenna Sealink spent £250m on four new ferries into [illegible] port.

Ferry companies are concentrating on new, higher quality services

Despite 200 redundancies, P&O still employs around 1,000 [illegible] there and another 3,000 on the ferries – "last year we carried 8m passengers and more than 250,000 lorries on the Calais route," says Mr Todd. "This was our fourth consecutive record year."

Stenna Sealink carried 6m passengers, a 10 per cent rise on 1992, and 312,000 lorries (6 per cent up) and plans 25 sailings a day in 1994 compared *with 20 last year. Both carriers* also run freight-only services – P&O to Zeebrugge and Stenna to Dunkerque.

There has been some pain. P&O closed its Boulogne service while a partnership with Ostend Lines ended last year. [illegible] Dover's [illegible] Ramsgate's gain as Sally, the third largest ferry operator, picked up this loose end. It should double the 2m passengers car*ried from Ramsgate to Dunker*que [illegible] Ostend [illegible] P&O may also bring further relief to [illegible] area by picking up [illegible] Olau service from Sheerness to Vissingen, under threat because of a labour dispute.

But these outlets from north Kent are not involved in the same [illegible] transport. Ramsgate is [illegible] leisurely four hours from the Continent rather than the tun[illegible] sprint. Dover, however, falls between these extremes, with [illegible] 75-minute trip. The ferry operators have tried to *nibble away at the time differ*ence – "we can now offer a 20-minute [illegible] having to stop only once to get the ticket," says Mr Todd. [illegible], computers read windscreen stickers automatically.

Price levels have also been simplified. Stenna Sealink substituted a single fare for the confusing variety of rates set according to time of day. Mr Rees adds that prices are between 60 and 90 less than the proposed tunnel charges. But this is not a big battle zone. *The two companies are concen*trating more on quality than bargain rates to defend their hold on the market – the main reason for buying super-ferries. "All our ships now have silver-service restaurants, video lounges and baby rooms," says Mr Todd.

Ferries made the first retaliation, timing improvements to begin last summer, when the tunnel [illegible] scheduled [illegible] open. [illegible] has introduced [illegible]gers to [illegible] they cannot get while speeding underground. [illegible] day-trippers may opt for a shorter journey, others will prefer a comfortable break.

Analysts accept that this distinction will help the ferries survive, even with a fully-func*tioning tunnel. Cross-channel* traffic is forecast to soar from almost 65m passengers in 1990 to 113m in the next decade and 150m by the year 2003. Freight traffic is growing even [illegible]. The one question is whether there is room for two operators. A [illegible] seems possible, which means some further pain amid the gain that east Kent will see from the tunnel.

■ CHANNEL TUNNEL'S IMPACT

Stimulus for development

Clustered around Ashford – long picked [illegible] as one of the chief growth centres in the UK – are vast sites near the M20 motorway waiting for a tidal wave *of new buildings. And waiting,* and waiting ...

"[illegible] in [illegible] country have a habit of refusing to act until major infrastructure pro[illegible] are finished," [illegible] Jon Barrett, Kent County Council director of inward investment.

"We saw that with the Dartford Bridge, which did not attract jobs until it was opened. And that was an obvious project compared with the Channel Tunnel, which is just [illegible] hole in the ground."

In other words, the impact of the largest private sector *infrastructure project ever* attempted in the UK will not be seen until it opens. But plenty of informed [illegible] has happened during seven years [illegible] and construction, *writes David Lawson.*

[illegible] suggested that employment from construction work on the tunnel would have little lasting impact on the local economy, and any employment generated would be dwarfed by other structural decline, producing a net loss of 10,000 jobs. This hard news *gave impetus to setting up the* East Kent Initiative and led to the successful campaign for assisted area status.

Jon Barrett might be expected to wilt under the weight of gloom, but two factors keep him remarkably sanguine. The first is not the tunnel itself but the terminal due to open at Ashford in 1996. The rail link – already put back by more than a decade – could so easily have slipped through the region with hardly a trace left around the edges – "but the station [illegible] trains will stop here on the way to and from Brussels and Paris," he says. "That will stimulate surrounding development."

Secondly, he cites new companies already moving into the area – "mainly small businesses wanting to take advantage of the European connection," he says. "They will grow much faster than indigenous industry. "Across the county as a whole, 250 jobs were created by new businesses in the year to last March. Those same companies now employ 320 people."

The danger, however, is that [illegible] growth will [illegible]ment [illegible] from [illegible] Kent, already facing a shortfall of 40,000 [illegible] of structural decline of industries like mining, fishing and now the [illegible]. *But the six* [illegible] councils have combined [illegible] back through [illegible] Kent Initiative.

A regional boost comes from qualification for the European InterReg programme, which will give East Kent yet more access to grants for joint promotion with [illegible] Nord-Pas de Calais. This has already led to inquiries for space, so East Kent should get more of these fast-growing companies, helping build further momentum – "it shows the success of local authorities working together *for a common aim – even* when some are in [illegible] country," says Mr Barrett.

The obvious hope is that some of those concerns will come from overseas – "[illegible] factor rarely mentioned about the tunnel is the psychological fact that it ties us physically to mainland Europe," he says.

■ IMPROVED ROAD/RAIL LINKS

Foundation for confidence

Transport improvements are the single most important reason why investors have taken a new interest in Kent, according to a poll by the property consultants, Cluttons. That fact might appear self-evident when so much money has gone into creation of the Channel Tunnel, yet it is not this [illegible] development which has [illegible] reputation. New roads are the foundation on which business [illegible] being built, [illegible] *David Lawson.*

While new roads are unlikely [illegible] make companies suddenly [illegible] to move [illegible] regions like east Kent, better access is undoubtedly welcome.

In some eyes, it could not have been much worse.

Much has changed in the last few years – but much *had* to change, according to the 1991 review by PA Cambridge Economic Consultants. The tunnel [illegible] increase [illegible] reasons. Firstly, the fast rail link will not be built until the next century, so waggons will continue to thunder through the region. In fact the tunnel will increase this load as hauliers switch from other channel ports to both Dover and the tunnel as fare cuts increase their competitiveness.

Money for [illegible] has poured into the region since the tunnel was announced – Kent has topped the national spending list for three years in [illegible] row. Much has been reserved for [illegible] Kent, such as the [illegible] Medway [illegible] relief road. But resources are also going towards the impor[illegible] Thanet Way, which will *carry the advantages of the M2* eastwards to Ramsgate. [illegible] quite [illegible] motorway, but £140m on [illegible] dual carriageway comes close.

Further improvements are in the pipeline for a bypass on the A28 at Sturry and upgrading of the A2. European Union grants will also go into new roads in Thanet.

None of this implies special [illegible], according to the Department [illegible] Transport, which insisted [illegible] PA Cambridge Economic Consultants [illegible] east Kent had to [illegible] *the same queue as all 108 local* authorities in England. The tide of money flowing in this direction appears to tell a different story, however.

Jon Barrett, Kent's [illegible] of inward investment, must feel hopeful that such largesse [illegible] bottlenecks. He picks out remaining problems with north-south access along the A28. Local links off main routes also need strengthening if smaller towns are [illegible] than see [illegible] – [illegible] eventually trains – racing through from London to the tunnel, leaving nothing but [illegible] ceilings *and a dose of pollution.*

A stop rather than an faster route could have the biggest local impact, however. The Ashford International Terminal is likely to be the biggest single factor in transforming the area apart from the tunnel, although the network of access roads to the undersea link will be [illegible] useful bonus [illegible] Folkestone and Dover.

The [illegible] success [illegible] the region will [illegible] bring new problems. Canterbury is already working out an inten[illegible] management *scheme to ease congestion.* Towns like Ashford will face the same problem as economic development blossoms.

HRM: big hat - no cattle?

Sue Fernie and David Metcalf

Human resource management (HRM) has [illegible] the buzz-phrase in personnel in the last decade. All the management journals are awash with words such as "commitment", "employee involvement", "profit sharing", and "merit pay".

Unfortunately, virtually no HRM professional, and few outsiders, have [illegible] and asked "what has all this activity achieved"? Our [illegible] shows [illegible] the description [illegible] personnel specialists as having "big hat, no cattle" - lots of preten[illegible] results - is absolutely right.

Fortunately a survey covering [illegible] 2,000 workplaces [illegible] recently [illegible] analysis. This nationally representative survey – the Workplace Industrial Relations Survey – [illegible] detailed information on companies using the new and [illegible] style industrial relations. [illegible] have [illegible] the survey to [illegible] whether or [illegible] HRM practices and new industrial relations deliver better management-employee relations [illegible] their [illegible] traditional counterparts.

Managers responsible for person[illegible] were [illegible] management-employee relations on [illegible] seven-point scale, ranging from very good to very poor. Six different aspects [illegible] HRM [illegible] analysed - the role of the personnel manager, industrial relations procedures, payment systems, [illegible] flexibility, employee involvement and the [illegible]tus [illegible] workforce. The results will be bitterly disappointing [illegible] HRM enthusiasts. Almost none of their techniques appear to improve management-employee relations.

Perhaps the most stunning findings [illegible] the role of the personnel specialists and [illegible] themselves. One-fifth of workplaces [illegible] a personnel specialist. Those workplaces [illegible] much worse relations between management and labour than [illegible] without. [illegible] objection to this finding is that the arrow of causation [illegible] the other way. Workplaces with [illegible] poor climate might need the specialist personnel managers. [illegible] investigated this [illegible]sible explanation but it was not supported by [illegible]

Systems which link [illegible] performance of [illegible] the individual worker or [illegible] individual company have grown in leaps and bounds in the [illegible] years. These [illegible] systems [illegible] an integral part of HRM – promoting the individual [illegible] over the collective. Now a quarter [illegible] all workplaces have job evaluation schemes and merit pay. And a half have some form of profit sharing or employee share ownership scheme. Yet not a single one of these systems appear to improve the climate of employee-management relations.

HRM also emphasises the importance [illegible] multi-skilled, flexible labour force. Yet where [illegible]ment has attempted to reduce demarcation and promote [illegible] work patterns [illegible] climate is [illegible] than where no such attempts [illegible] made. This hardly [illegible] high quality personnel management.

Employee involvement and [illegible]mitment are supposed to [illegible] improved by providing workers with [illegible] voice. [illegible] neither [illegible] of joint [illegible] committees nor performance appraisals, which should provide [illegible] feed[illegible] management and workers, improves [illegible] climate.

Climate [illegible] improved where work teams meet at least once [illegible] month to [illegible] their performance in problem solving [illegible] such [illegible] "quality circles". By contrast, [illegible] team briefing meetings [illegible] simply [illegible]ing information down [illegible] hierarchy results in a worse climate. It is clear that proper communication [illegible] be a two-way process.

HRM workplaces [illegible] more likely [illegible] treat their manual and non-manual employees in [illegible] similar fashion – the "single status" policy. We studied seven different aspects of such policies covering, [illegible] example, [illegible] clocking-on, the availability [illegible] or [illegible] meals and pensions. On all but one of these indicators of single [illegible] companies which practiced [illegible] had [illegible] worse climate of industrial relations than [illegible] that did not.

We [illegible] studied how union strength and structure influences relations between management and labour. A weak [illegible] of all worlds. Workplaces with strong unions and [illegible] without unions both have [illegible] relations than workplaces where management simply recognises [illegible] union for [illegible] bargaining.

The results [illegible] our research [illegible]gest that it is time [illegible] the HRM professionals to [illegible] they [illegible] achieved. The question [illegible] why employee involvement, "single status" policies, new systems linking [illegible] individual performance and – particularly – the specialisation of the personnel function have failed to deliver bet[illegible] management-employee relations.

Sue Fernie and David Metcalf are in the Centre for Economic Performance, London School of Economics. A fuller version of the paper is available free from [illegible] Fernie, [illegible] H800, London [illegible] of Economics, [illegible]

Rank One = *Most senior executive below rank of director in:*	Lower quartile Basic salary £	Lower quartile Total money reward £	Median Basic salary £	Median (Basic year earlier) £	Median Total money reward £	Median (Total year earlier) £	Upper quartile Basic salary £	Upper quartile Total money reward £	% with company car
Legal advice	35,434	35,934	43,485	(44,200)	43,485	(44,583)	51,891	52,993	68.2
General management	30,000	30,977	35,785	(36,008)	35,926	(36,920)	42,101	44,072	83.6
Company secretariat	30,296	31,100	37,860	(36,830)	38,000	(37,808)	47,190	47,930	87.3
Finance & accounting	28,994	29,723	33,488	(32,725)	34,992	(33,742)	40,000	41,982	82.9
Surveying/construction	28,003	28,005	31,008	(27,725)	31,008	(27,725)	33,722	34,613	76.9
Marketing	28,990	30,223	33,280	(33,000)	35,963	(34,697)	38,983	39,950	87.4
Advertising & PR	26,738	27,394	33,520	(34,572)	33,520	(34,572)	41,045	42,996	73.3
Data processing	27,500	28,225	32,802	(31,367)	33,830	(31,950)	38,378	38,500	79.7
Sales	27,000	27,500	31,356	(30,306)	32,430	(31,841)	37,400	38,000	87.5
Distribution	24,309	25,905	29,355	(30,500)	31,070	(32,000)	37,800	39,357	82.6
Personnel	27,079	27,500	33,054	(32,100)	34,100	(32,726)	39,984	42,000	80.4
Administration	26,306	27,249	30,233	(30,730)	30,233	(31,499)	38,713	39,238	71.0
Planning	26,268	27,350	30,615	(30,126)	30,615	(30,126)	36,348	36,348	72.0
Research & development	26,377	26,415	29,000	(29,500)	29,348	(29,987)	33,295	34,447	70.7
Purchasing	25,679	26,473	30,442	(29,160)	31,260	(30,000)	36,013	36,589	80.3
Engineering	25,556	26,292	30,473	(29,346)	30,785	(29,968)	34,863	35,083	76.8
Management services	26,250	26,250	29,000	(29,320)	29,000	(29,320)	34,174	35,481	86.7
Production	24,104	24,509	28,150	(27,500)	29,114	(28,403)	34,135	35,044	78.2
Quality assurance	23,025	. 23,434	27,270	(27,270)	27,965	(27,609)	32,117	32,886	69.5
All Rank-One execs	26,700	–	31,536	(31,000)	–	(–)	37,809	–	80.0

The table is drawn from the six-monthly Reward management salary survey available from Reward, Diamond Way, Stone Business Park, Staffordshire ST15 OSD; tel (0)785 813566. Reward points out that the sample fluctuates, so an apparent fall in a salary may be a statistical quirk. Scientific and technical posts, previously quoted separately are now included with research and development. The lower-quartile figures refer to individuals who would be a quarter way up from the foot of a ranking, medians to those ranked halfway and upper-quartile to those a quarter way down from the top.

To allow for increases between the collection of data and April 1, Reward says the pay figures should be increased by 0.4%, and by a further 0.2% for each month thereafter. Regional percentage variations from the overall median of £31,536 were: London 20.2, Eastern Counties -8.5, North East -7.5, N. Ireland -1.3, North West -8.0, Scotland 9.5, South East 1.8, South West -2.8, West Midlands -2.5.

Richard Donkin

هكذا من الاصل

Capital Markets Origination

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Excellent Package — London

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THE COMPANY
- Major investment banking group with substantial continental network.
- Client-driven approach based [redacted] quality of service.
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THE POSITION
- Marketing Officer for Germany and Austria. Part of small, high calibre European [redacted]
- Responsible for origination of international debt and equity transactions.
- Build and maintain existing client relationships.

QUALIFICATIONS
- Self-motivated marketer with at least three years' relevant experience.
- Wide knowledge of capital markets products. Proven client handling skills.
- Graduate, probably 28-35. Fluent German and English essential.

Please send full cv, stating salary, Ref N1383
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[redacted] everyone's good enough, aggressive enough or competitive enough [redacted] one of the [redacted] jobs [redacted] sales, [redacted] you're [redacted] just [redacted]

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Financial Analytics Specialists

and financial engineers [redacted] develop and implement systems for trading and risk management of interest rate and FX derivative instruments.

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If you are prepared [redacted] challenge, please call or send your CV to:

CREDIT [redacted]
Mrs Caroline Rufer,
[redacted] Anlagen/Handel, 8070 [redacted]
Tel: 41-1-333 27 31 [redacted] 41-1-333 30 22

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wishes [redacted] recruit a

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Pension Reserve Fund

The EPO is [redacted] international organisation with headquarters in Munich, Germany. In [redacted] it set up a Pension Reserve Fund, largely managed internally. [redacted] the small [redacted] of [redacted] Fund Administration, [redacted] position [redacted] created to [redacted] part in [redacted] management of the internal portfolio [redacted] in [redacted] reporting on [redacted] Fund's activities.

Requirements University diploma (or equivalent professional experience) [redacted] several years of experience in institutional fund management. Specific knowledge of global fixed income markets, familiarity with derivative products and proficiency in financial mathematics. Excellent knowledge [redacted] least [redacted] of [redacted] working languages of the Office (English, German and French), together with [redacted] ability [redacted] understand [redacted] two.

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Application Applications, [redacted] forms [redacted] from [redacted] EPO and quoting reference EXT/642, should be [redacted]
European Patent [redacted] Directorate Personnel,
[redacted], D-80298 Munich, Tel.: [redacted] 2399 4318,
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Applications should, in the first instance, be sent [redacted] **Ref: H7051/FT, PA Consulting Group,** Advertising and Communications, 123 Buckingham Palace Road, London SW1W 9SR.

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APPOINTMENTS WANTED

ACCOUNTANCY COLUMN

'True and fair' debate moves to the insurance sector

Chris O'Brien looks at the implications of an EC directive due for implementation next year

Truth and [redacted] have been a requirement for most [redacted] for over [redacted] years, [redacted] it will [redacted] new challenge for life assurance companies in 1995 when the EC Insurance Accounts [redacted] is at last implemented.

With little time [redacted] is still [redacted] among accountants, and also actuaries, on how [redacted] achieve "true and fair" in an industry characterised by long-term contracts, uncertainty, and high initial costs which [redacted] recouped by subsequent revenue.

In [redacted] past, life assurance companies' accounts have used [redacted] figures in the financial statements submitted to DTI – the "DTI Returns" – which [redacted] geared [redacted] ensuring they remain solvent. Here the actuary compares the value of [redacted] company's [redacted] with the value of [redacted] liabilities from all the policies on its books. He has to allow for adverse deviations [redacted] returns, rates of mortality. [redacted] must [redacted] number of extreme circumstances, [redacted] as [redacted] 25 per [redacted] drop in the value of shares. This is fine for protecting policyholders, but [redacted] likely [redacted] the [redacted] the liabilities [redacted] overstated if the [redacted] objective of [redacted] is [redacted] they be [redacted] and fair.

The problems are greatest for proprietary companies which are reporting profits [redacted] their shareholders. The "statutory solvency method", [redacted] above, will typically under[redacted] profits for [redacted] growing [redacted] unreported profits [redacted] being [redacted] up, [redacted] be released later, [redacted] example when bonuses [redacted] paid at [redacted] time [redacted] policy matures. And the writing of [redacted] policies, with high expenses, typically depresses profits [redacted] of the regulations underlying the DTI Returns.

How can we [redacted] more realistic? [redacted] many life assurance companies are now focusing on [redacted] the "embedded value". To calculate this, actuaries [redacted] make an estimate of the future [redacted] of statutory solvency profits expected [redacted] arise from the policies already written, using assumptions [redacted] future mortality, investment returns, policies lapsing, etc. Then these profits, lasting 25 years or more, [redacted] discounted to the present. To cope [redacted] the uncertainty about the future assumptions such as lapses, [redacted] dis[redacted] rate [redacted] be increased [redacted] reflect this. The present value [redacted] profits is known [redacted] the embedded value.

This [redacted] a capital [redacted] which is a good indicator [redacted] the company's [redacted]ress in improving profits. It is important information for management, [redacted] providing [redacted] embedded value [redacted] generally good [redacted] shareholders.

However, [redacted] difficulties come when it is proposed that the [redacted] in [redacted] embedded value constitutes profit. Actuaries have [redacted] looking [redacted] the principles underlying accounts, [redacted] which [redacted] that profits [redacted] the past and not future perfor[redacted] of [redacted] firm.

This [redacted] in with the ED [redacted] which requires profits [redacted] have been "made", UK law [redacted] profits [redacted] "realised", and also [redacted] principles [redacted] Accounting [redacted].

[redacted] difficulty [redacted] embedded value includes profits [redacted] future performance, i.e. [redacted] insurance and [redacted]agement services [redacted] the [redacted] provides for [redacted] policyholders [redacted] future years.

Basically there are [redacted] parts to the [redacted] value. First [redacted] profits that have been made (in accounting terms) from services already provided [redacted] policyholders but not passed to the shareholders because of the [redacted] the solvency rules work. This is the "Shareholders' Accrued Interest". Second, we have the discounted value of profits expected to be made from future services [redacted] policies already written. True and fair accounting requires the former, but not the latter, [redacted] taken into account.

However, since embedded values are important to shareholders, there [redacted] merit if they are shown in company accounts, though only as supplementary information [redacted] implying that they represent profits which [redacted] made.

How [redacted] we [redacted] the [redacted]holders' [redacted] in [redacted] away which [redacted] fair? One [redacted] the "accruals method", put forward [redacted] experimental approach, though it has attracted only limited support.

This method basically calculates the Shareholders' Accrued Interest by subtracting the value of estimated profits relating [redacted] future services from the [redacted] value. However, the technique to achieve this – "planned profit margins" – has [redacted] criticised by many [redacted] actuaries as [redacted] subjective.

[redacted] margins [redacted] typically not planned and [redacted] be verified; neither [redacted] they easily be applied to with-profits business. Along with [redacted] problems [redacted] rates, it [redacted] to [redacted] the result [redacted] true and fair. The disparity [redacted] views has drawn together some [redacted] companies in an attempt to design an accounting method capable of encom[redacted] both embedded values and the accruals method. Another [redacted] is to ensure that this can be expressed in [redacted] accounting format prescribed by the directives.

These proposals have yet to be presented, but [redacted] is hard to see [redacted] they can [redacted] the many concerns already expressed about both accruals and embedded values.

So [redacted] the [redacted] In [redacted] it is [redacted] too difficult; we can revert to calculating [redacted] liabilities but [redacted] the artificialities of the statutory solvency method. This approach [redacted] called [redacted], which I presented [redacted] Institute of Actuaries [redacted] month. It [redacted] on a set of accounting principles specifically adapted to [redacted] nature of [redacted] assurance business. In particular:-

- Provisions should [redacted] prudently but without "hidden reserves".
- [redacted] requires that the liability on [redacted] policy [redacted] generally [redacted] than [redacted] surrender value.
- [redacted] shareholders have an interest in [redacted] bonuses, [redacted]ies already held [redacted] bonuses should be partly attributed to [redacted].
- Future [redacted] expected on existing policies should be capitalised, but future profits should not.
- Initial [redacted] such as commission [redacted] matched against [redacted]sponding [redacted] where [redacted] policyholder forgoes [redacted] allocation to [redacted] two years, [redacted]duce [redacted] acquisition [redacted].
- The going [redacted] principle to [redacted] applied.

This approach is consistent with the [redacted] standards, [redacted] fits [redacted]niently with the EC directive. It means that the increase in the excess of [redacted] over liabilities, the Earned Profit, reflects what [redacted] company [redacted] earned in the year. It equates to what policyholders [redacted] paid for the [redacted]vices which the company has provided, less the [redacted] incurred.

The earned profits method [redacted] artificialities of profits reported under the statutory solvency method. For with-profits [redacted] no longer [redacted] markedly high profit in the last [redacted] of [redacted] policy when the terminal bonus is paid; [redacted] effect is accrued over [redacted] term. For unit-linked business the artificial [redacted] arising from [redacted] initial expenses in [redacted] is eliminated.

The [redacted] British Insur[redacted] currently drafting an accounting practice which will be [redacted] modification of the statutory solvency method. [redacted] on a calculation [redacted] assets and liabilities, it [redacted] recognise, for example, that the provisions required by the solvency [redacted] should the company be closed to [redacted] business [redacted] inconsistent with the "going concern" principle.

It is [redacted] be hoped that [redacted] con[redacted] DTI's solvency rules [redacted] replaced by ordinary accounting principles applied [redacted] life [redacted] in the Earned Profits method. The [redacted] will be [redacted] application of both actuarial [redacted] accounting techniques, which [redacted] surely [redacted] right [redacted] for [redacted] show [redacted] true and fair view.

The author is valuation actuary at [redacted] Life [redacted]

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THE POSITION
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QUALIFICATIONS
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- Strong systems focus, ideally mainframe/pc network.
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Please send full career details, including current salary package, quoting Ref A 1310 to Malcolm Lawson, at Codd Johnson Harris, Human Resource Consultants, 12 New Burlington Street, London W1X 1FF.

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A qualified accountant, no younger than early 30's, you must have proven and practical experience of accounting (including partnerships), budgeting, taxation and company secretarial. PC/spreadsheet literate, you will also have exposure to the legal, practical and commercial aspects of structuring a business.

Ideally, you [illegible] have practical experience in corporate finance; partnership tax; property; and be well networked into the London insurance and financial markets.

An [illegible] positive style; strongly analytical; credible in terms of presence, yet down to earth with no "airs and graces", and able to convey a real sense of vitality, spirit, enthusiasm – and maybe even fun: this is the style that we are looking for. To fit in the team, you need to be someone who enjoys life; has [illegible] positive attitude; can aspire to the ambitious goals that we have in mind; and has enough experience and insight to realise that corporate capital initiatives and the new financial vehicles now evolving offer some fascinating prospects for personal progression.

If you can relate to what we are doing and the role on offer, write to our advising consultant, Hamish Davidson, quoting reference H/1444 and tell him why.

Executive Search & Selection, Price Waterhouse,
Milton Gate, 1 Moor Lane, London EC2Y 9PB.
Tel: 071-939 6312 Fax: 071-638 [illegible]

Finance and Administration Manager

WEST SUSSEX — Age 35-45 — to £40,000+Car+Bonus

Our client is a recent acquisition of a $600m US corporation. In the US this specialist manufacturer is the market leader in its niche field in the electronics sector and aims to replicate this success [illegible] Europe. In order to achieve this the US parent is committed to significant long term investment.

The company is already having a major impact across Europe through a series of newly-established subsidiaries and will soon be relocating its European headquarters and manufacturing operation to a greenfield site in the UK.

This is the senior finance position in the company and reports to the European Chief Executive. As a key member of the management team, this encompasses the development and control of all aspects of finance, MIS, distribution and purchasing, and [illegible] include the overview of European operations, reviewing potential acquisitions and developing computerised management systems.

The culture is one of dynamic, forward-thinking change. As such you should have the ability to manage and develop a team of motivated professionals.

Candidates should be qualified accountants with strong commercial instincts and the proven ability to contribute to the strategic management of a growing company. Experience of a manufacturing environment is important as is exposure to the international commercial arena. Ideally the candidate will also have knowledge of US reporting standards.

Interested applicants should write with a detailed CV, enclosing details of current remuneration, to Mark Gilbert at the address below.

Alderwick Peachell & PARTNERS LTD

Alderwick Peachell [illegible] Partners Limited, Recruitment Consultants, 125 High Holborn, London WC1V 6QA. Tel: 071-404 3155. Fax: 071-404 0140.

Our client is an autonomous subsidiary of a [illegible] international group, who are world leaders in their particular manufacturing sector. Responding to the needs of a quality driven industry requires enlightened direction from a commercially astute management. The Company now needs to appoint a professionally strong, qualified Accountant to their North Eastern plant, which employs over 500 people and has a turnover of approaching £20 million.

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Interested applicants should send [illegible] detailed CV or ring for [illegible] application form [illegible] 533363 (24 hours) quoting reference 2211/FT.

WICKLAND WESTCOTT
HUMAN RESOURCE [illegible]
[illegible] *Alderley* [illegible]
[illegible] *SK9 1NX*
Telephone [illegible] *532446*

Deloitte Touche Tohmatsu

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Manager Audit

anglo-saxon

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D'origine britannique ou d'un autre pays de langue anglaise, [illegible] moins [illegible] à 6 ans d'expérience professionnelle comme auditeur en France ou à l'étranger. Vous parlez correctement [illegible] français.

Merci d'adresser votre candidature, sous [illegible] 0104, à Deloitte Touche Tohmatsu, Direction [illegible] *Ressources Humaines,* 185, avenue *Charles*-De Gaulle, 92200 Neuilly, France.

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The salary package includes a comprehensive range of non-contributory benefits including pension, life assurance, medical cover and if appropriate, assistance with relocation.

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MARKET REPORT

Early share gains wiped out in nervous trade

By Terry Byland,
UK Stock Market Editor

The shadow of the US securities markets fell [illegible] London yesterday afternoon, when share gains achieved in the first half [illegible] the session were speedily eliminated. UK stocks came back sharply as Wall Street opened lower and bond markets showed nervousness while awaiting reports of a speech by Mr Alan Greenspan, chairman of the Federal Reserve Board, to bankers in California.

Trading volume in equities was disappointing in [illegible] market now back to genuine investment activity after completion of tax year-end activity. However, many investment managers continued to concentrate on preparing reports for their trustees on fund perf[illegible] [illegible] the first quarter [illegible] the year.

The market opened slowly behind [illegible] [illegible] trading [illegible] in [illegible] York and remained close to overnight levels following news of higher increases than expected in both industrial production and manufacturing output. However, initial firm[illegible] in [illegible] government bonds helped the [illegible] [illegible] [illegible] ahead by 12 points to 3,143.5.

This early [illegible] [illegible] as soon as the New York markets opened. With the Dow Average down 14 points [illegible] US Federal bonds [illegible] lower in early trade, the gain on the Footsie was quickly replaced by a modest fall. Selling was light [illegible] buyers withdrew.

At [illegible] close, the FT-SE Index was 2.5 off [illegible] [illegible] with the FT-SE Mid [illegible] Index [illegible] [illegible] at 3,764.2. Total Seaq volume [illegible] 715.1m [illegible] was [illegible] by nearly one quarter from the previous [illegible]. But on Wednesday, the first day of the new tax year in the UK, share volume was inflated by heavy tax-related trading. Stock Exchange statistics showed that Wednesday's equity business was worth £2bn in retail, or customer, worth; this puts the session among the most active, in terms of underlying customer business, of the past 12 months.

Account Dealing Dates		
*First Dealings: Mar 28	Apr 11	Apr 25
Option Declarations: Apr 7	Apr 21	May 12
Last Dealings: Apr 8	Apr 22	May 13
Account Day: Apr [illegible]	May 3	May 23

*New time dealings may take place from two business days earlier.

Traders expressed disappointment with London's [illegible] to Wall Street, which was sharper than seen in other European markets. The session appeared to indicate that London is finding difficulty in de-coupling itself from worries about the interest rate policies of the Federal Reserve.

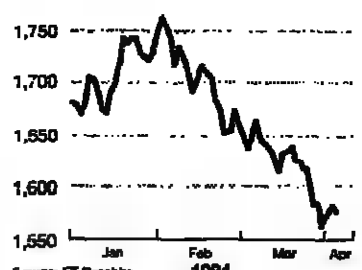
The rise [illegible] 0.8 per cent in domestic manufacturing output and of [illegible] per [illegible] in manufacturing output last month, although [illegible] quietly in equities, further challenged confidence in prospects for an early cut in domestic [illegible] [illegible] [illegible] left UK stocks to [illegible] [illegible] [illegible] [illegible] in UK bonds [illegible] in [illegible] session.

With the Bundesbank policy council not due to meet until next week, [illegible] [illegible] little [illegible] but to [illegible] [illegible] the [illegible] Federal Reserve. Hence last evening's nervousness ahead [illegible] Mr Greenspan's speech in [illegible] Francisco.

The final dip in the FT-SE Index was greater than appeared because the Index took in strong performances from the blue chip oil [illegible] as well as several other [illegible] names, including ICI and [illegible]. The oil [illegible] [illegible] from [illegible] [illegible] come rally in crude oil prices and a very positive annual meeting of [illegible] in [illegible] Petroleum.

But utility stocks [illegible] heavily as the market continued [illegible] look for strong dividend growth in the manufacturing [illegible]. Interest-related [illegible] also found themselves left on the shelf yesterday, reflecting [illegible] on [illegible] [illegible] hopes and easier trends in some [illegible] [illegible] reflected disappointment with the [illegible] of high [illegible] spending.

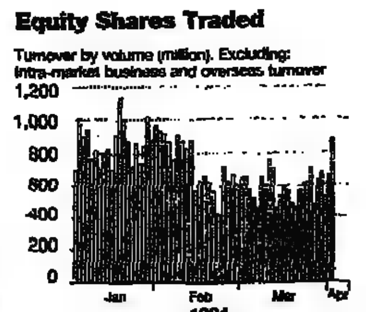
FT-SE-A All-Share index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE [illegible]	3129.0	-2.5	FT Ordinary index	2474.9	-2.0
FT-SE Mid [illegible]	3764.2	[illegible]	FT-SE-A Non Fins p/e	[illegible]	[illegible]
FT-SE-A 350	1588.0	-2.4	FT-SE 100 Fut Jun	3137.0	[illegible]
FT-SE-A All-Share	1578.41	-2.11	10 yr Gilt yield	[illegible]	(7.[illegible]
[illegible] All-Share [illegible]	[illegible]	(3.67)	Long gilt/equity yld ratio:	2.16	(2.15)

Best performing sectors

1 Oil, Integrated .... +2.6
2 Mineral Extraction .... +2.1
3 Engineering, Vehicles .... +2.0
4 Oil Exploration .... +1.1
5 Life Assurance .... +1.0

Worst performing sectors

1 Electricity .... -2.9
2 Gas Distribution .... -2.1
3 Water .... -1.8
4 Utilities .... -1.7
5 Other Financial .... -1.2

Strong rebound by BP

A firmer oil price combined with an upbeat annual meeting helped British Petroleum [illegible] [illegible] [illegible] [illegible] uncertainty [illegible] to [illegible] [illegible] day [illegible] the top performer in [illegible] FT-SE 100 Index.

The price [illegible] one-month Brent crude, which slumped to [illegible] just [illegible] the [illegible] [illegible] meeting [illegible] that output [illegible] would [illegible] maintained, had recovered to $14.75 by the close of dealing in London yesterday. Dealers in the US said Metallgesellschaft, the German oil and metals company which [illegible] very badly [illegible] after buying [illegible] [illegible] futures just before [illegible] market tumbled, [illegible] finally liquidated [illegible] long position.

Meanwhile [illegible] Ashburton, [illegible] chairman, [illegible] [illegible] agm [illegible] company's [illegible] health and balance [illegible] had improved greatly [illegible] the past [illegible] and it was beating its tar[illegible] [illegible] debt, profit [illegible] invest[illegible] in spite [illegible] oil price [illegible]ness. [illegible] Lyonnais Laing shifted its [illegible] from 'underweight' [illegible] over-weight' arguing that the [illegible] [illegible] hit [illegible] [illegible] [illegible] next 12 months and Lehman Brothers [illegible] [illegible] for [illegible] US oil [illegible]. BP bounced 14 [illegible] 371p [illegible] turnover of 11m [illegible] [illegible] leading [illegible] [illegible] took [illegible] [illegible] [illegible] statement. Shell Transport gained 11 [illegible] [illegible] while Enterprise [illegible] 10 [illegible] [illegible].

Recs pressured

Regional electricity compa[illegible] [illegible] [illegible] selling [illegible] [illegible] [illegible] house and disappointing news [illegible] [illegible] [illegible] [illegible] highlighted their outperformance of [illegible] broader [illegible].

[illegible] Hydro-Electric said [illegible] hydro output had dropped by [illegible] per [illegible] on [illegible]. Analysts said problems were specific [illegible] [illegible] [illegible] and depressed hydro output [illegible] ing from [illegible] rainfall [illegible] Scotland had been expected. How[illegible] it combined with [illegible] [illegible] sell note from UBS [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]tor. The [illegible] has outperformed the FT All-Share on most [illegible] yet [illegible] [illegible] [illegible] of [illegible] distribution review expected [illegible] July.

[illegible] Hydro [illegible] [illegible] [illegible] 376p and Scottish Power fell 14 to 401p helping to lead the sector down. PowerGen hit a low for the year before closing 12 [illegible] [illegible] 507p [illegible] Electricity fell 22 to 663p, and Norweb 27 to [illegible].

Forte hit

Hotels [illegible] Forte [illegible] up [illegible] [illegible] [illegible], in heavy trading [illegible] 7.9m, making it the day's sharpest [illegible] [illegible] FT-SE 100 constituents, after [illegible] [illegible] [illegible] its negative stance just [illegible] week [illegible] [illegible] group's [illegible].

The [illegible] denied reports in [illegible] [illegible] that [illegible] [illegible] down[illegible] profit expectations [illegible] said [illegible] was maintaining its current [illegible] [illegible] [illegible]. The range of predictions is £86m to [illegible]. But [illegible] [illegible] yesterday joined other broking firms which have highlighted the possible negative impact of the new FRS5 accounting standard which deals with off balance sheet debt.

Bargain hunters helped Rank Organisation shrug off [illegible] weakness and the shares closed 12 ahead [illegible] 398p, on volume of 2.1m.

Shares in British Gas slipped on talk of [illegible] switch carried out by one leading UK investment bank [illegible] continuing concern over the regulator's decision on the [illegible] of return from the company's pipelines. News that the privatised company is [illegible] [illegible] the number [illegible] its shops and cut 1,700 staff had already been anticipated. The stock, [illegible] has underperformed since the start of the [illegible], slid 6½ [illegible] [illegible] with 18m traded.

News and financial information group Reuters Holdings moved forward 22 to 1849p in spite of a weak US market. Dealers said [illegible] big institutional sell order of between 2m and 3m shares, equivalent [illegible] around £50m, had [illegible] completed in early trading. The [illegible] also [illegible] some buying ahead of a Europe-wide presen[illegible]tation to analysts in Geneva on April 25.

Pharmaceuticals group Wellcome, which had held [illegible] throughout the day, fell 8 [illegible] 557p [illegible] before [illegible] [illegible]. News leaked [illegible] the market that the full [illegible] of the Anglo-French Concord study which [illegible] prospects for AZT, [illegible] [illegible] treatment, would be published today. AZT is Wellcome's second [illegible] selling product.

News of an increase in pas[illegible] [illegible] [illegible] for March [illegible] [illegible] Airways. The shares moved [illegible] [illegible] to 422p.

The 10 per [illegible] improvement in profits [illegible] Highland Distillers to £23.4m left the shares trailing [illegible] [illegible] [illegible].

Among stores, [illegible] improved 7 [illegible] [illegible], following recommendation from Smith [illegible] Court [illegible] the market [illegible] news on [illegible] sale of the group's pharmaceutical division.

Brewing group Bass closed 3 ahead at 532p, after it refused to comment on recent speculation that it was about to bid for Dutch brewer Grolsch.

Building group Blue [illegible] fell 12 to 325p on dilution concerns [illegible] the [illegible] decided to call in its capital bond.

Shares in engineering group [illegible] Wilkes [illegible] 17 ahead [illegible] 177p, following an announce[illegible] [illegible] an agreed bid from [illegible] [illegible] cent [illegible] holder conglom[illegible] [illegible].

British Steel put on [illegible] [illegible] 146p, with [illegible] Capel reported [illegible] have [illegible] [illegible] buyers. Turnover closed at 9.2m.

[illegible] [illegible] [illegible] Aerospace [illegible] [illegible] join [illegible] with Dasa of Germany and French [illegible] Aerospatiale in a research programme [illegible] investigate the viability [illegible] a [illegible] to Concorde [illegible] [illegible] market unimpressed. The [illegible] closed 3 lighter [illegible] 477p, in thin trading.

Mr [illegible] Avery [illegible] [illegible] said: "The results are too far in [illegible] [illegible] [illegible] worry [illegible] now. The industry is more likely [illegible] develop [illegible] 600 seat jet rather than son of Concorde."

Other big moves

[illegible] [illegible] Wardle Storeys dropped 27 to [illegible] [illegible] disappointing interim [illegible] that prompted analysts [illegible] [illegible] forecasts by around [illegible] [illegible] £6.5m [illegible] [illegible] full year.

Cantab Pharmaceuticals, [illegible] bio-technology company, improved 17 [illegible] 485p on [illegible] [illegible] press comment.

Neotronics fell 32 to 84p on [illegible] profits warning and [illegible] group Invesco slid 22 [illegible] [illegible] on [illegible].

MARKET REPORTERS:
Joel Kibazo,
Peter John,

■ Other statistics, Page 20

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (46).
BANKS (1) Mitsubishi Tst. & Banking, BUILDING & CNSTRN (2) Hewden-Stuart, [illegible] CHEMICALS (2) Bayer, Hoechst, DISTRIBUTORS (1) Dennans Elect., DIVERSIFIED INDLS (2) Rapner, Do. 'A', ELECTRNC & ELECT EQUP (3) Arcolectric 'A', Mitsubishi Electric, TDK, ENGINEERING (6) EXTRACTIVE INDS (2) Glencar, Monarch Res., FOOD MANUF (2) Assoc. Brit. Foods, Sentry Farming, HOUSEHOLD GOODS (2) Portmeirion Potts, Waterford Wedgwood, INSURANCE (2) Hogg Group, Steel Burrill Jones, INVESTMENT TRUSTS (4) INVESTMENT COMPANIES (1) MEDIA (4) Euromoney Pubs, Holmes Marchant, Metal Bulletin, Metro Radio, OIL EXPLORATION & PROD (1) Ranger, PHARMACEUTICALS (1) Cantab Pharms., PRTNG, PAPER & PACKG (1) Huntsprint, RETAILERS, FOOD (2) Morrison (Wm) Supermarkets, Do. Prf., RETAILERS, GENERAL (2) Goldsmiths, Oliver, TEXTILES & APPAREL (2) Alexandra Workwear, Toray, TRANSPORT (1) Air London, AMERICANS (9)
NEW LOWS (126).
GILTS (8) OTHER FIXED INTEREST (8) BREWERIES (1) Greene King, BUILDING & CNSTRN (5) BLDG MATLS & MCHTS (8) CHEMICALS (1) Wardle Storeys, DISTRIBUTORS (7) DIVERSIFIED INDLS (3) Hanson, Staveley Inds., Williams Prf., ELECTRICITY (2) Northern Ireland, PowerGen, ELECTRNC & ELECT EQUP (1) Critchley, ENGINEERING (6) ENG. VEHICLES (2) Boustead, First Tech, EXTRACTIVE INDS (8) FOOD MANUF (1) Grand Central, HEALTH CARE (4) Biotrace, London Intnl, Shield Diagnostics, Smith & Nephew, HOUSEHOLD GOODS (1) Silentnight, INSURANCE (2) Finsbury Underwriting, Lowndes Lambert, INVESTMENT TRUSTS (11) INVESTMENT COMPANIES (1) LEISURE & HOTELS (3) Forte, Jurys Hotel, Rank Org. Prf., LIFE ASSURANCE (1) Liberty Life Association of Africa, MEDIA (3) Aveaco, Flextech, Phonelink, MERCHANT BANKS (1) Kleinwort Benson, OIL EXPLORATION & PROD (1) Gulfstream Res Can, OTHER FINANCIAL (11) OTHER SERVS & BUSNS (1) Anglo-East Plants., PHARMACEUTICALS (1) Elan, PRTNG, PAPER & PACKG (3) AG, API, Carnaud Metalbox, PROPERTY (7) RETAILERS, FOOD (1) Brake Bros., RETAILERS, GENERAL (5) SUPPORT SERVS (2) Macro 4, Salvesen (C), TEXTILES & APPAREL (2) Drummond, Leeds, TRANSPORT (4) WATER (4) AMERICANS (4) CANADIANS (1) SOUTH AFRICANS (6)

EQUITY FUTURES AND OPTIONS TRADING

A slow day in the derivatives markets picked up towards the close when London turned nervous as Wall Street [illegible] the new session on the downward tack, writes Terry Byland. The June contract on the Footsie had an erratic day, opening at [illegible] modest discount to fair value, which is now estimated [illegible] between [illegible] and seven points.

Early deals saw the June contract fall away fairly sharply to a low for the session of 3,106 as investors backed away from the latest data on the [illegible] economy. But buyers then appeared and at 3,154, the [illegible] provided [illegible] good lead for equities, showing [illegible] premium of around [illegible] points to cash. later, when Wall Street unsettled UK markets, the contract faded to a close of 3,137, still an 8 point premium, trading volume, taking in business after the official close, reached just over 14,000 contracts.

Business in traded options jumped to 42,227 contracts from 29,165 on the previous day. The FT-SE contract took pride of place with 18,242 contracts against 14,071. The Euro FT-SE contract was also active, trading 6,269 contracts. Individual contracts were headed by Hanson at 1,987 and other blue chips to attract interest included [illegible] (1,932).

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	[illegible]	Sett price	[illegible]	High	Low	Est. vol	Open int.
Jun	3132.0	[illegible]	4.0	[illegible]	[illegible]	[illegible]	54563
Sep	3157.0	3156.0	6.0	3157.0	3157.0	30	596
Dec	-	3157.0	4.0	-	-	0	10

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

Jun	3770.0	3780.0	3.0	3800.[illegible]	[illegible].0	660	2485

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

Jun	3775.0	[illegible]	[illegible]	3775.0	[illegible]	1	[illegible]

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3127) £10 per full index point

	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P
Apr	184½	2	136½	4	90½	10	51½	20½	25	44½	8	81	2½	127½	½	176½
May	207	22½	166½	32	130½	46	[illegible]	63	70	85	46½	115½	33	146½	21	187½
Jun	230	34½	194½	40	146½	63	116½	84	[illegible]	108	72½	136½	51½	166	37½	202
Jul	236½	47	196½	61	166½	77	136	[illegible]	109½	120	86½	149	67½	175½	52	213
Dec†			279½	117			218	164½			181	200			114½	283

Calls 8,482 Puts 9,760

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2975		3025		3075		3125		3175		3225		3275		3325	
Apr	155½	3	106½	7	66½	13	36½	30½	14	59½	4½	101½	1½	148½	½	198½
May	187½	28½	148½	40	113½	54	94	74	69	96½	38	129½	28	164½	18½	204½
Jun			161½	61			191½	90			39	146			31½	217½
Sep			214½	87			155½	125½			107	174			70½	235½
Dec†			264	117			194½	154			144½	200½			106½	250

Calls 1,330 Puts 4,000 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3850		3900		3950		4000		4050		4100		4150	
Apr	11	83	4½	127	1½	170½	½	[illegible]	½	274½	½	324½	½	[illegible]

Calls 6 Puts 12 Settlement prices and volumes are taken at 4.30pm.

TRADING VOLUME

■ Major Stocks yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	2,800	[illegible]	-¼
Abbey National†	[illegible]	487	-6
Albert Fisher	[illegible]	62	
Allied-Lyons†	1,500	551	
Anglian Water	[illegible]	517	-8
Argos	[illegible]	[illegible]	+1
Argyll Group†	2,300	[illegible]	
Arjo Wiggins†	1,300	221	-2
Assoc. Brit. Foods†	214	553	+10
[illegible]	[illegible]	[illegible]	[illegible]

FT - SE Actuaries Share Indices — The UK Series

	Apr 7	Day's chge%	Apr 6	Apr 5	Mar 31	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	[illegible]	-0.1	3131.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	3764.2	-0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	23.20	[illegible]	1375.57
FT-SE Mid 250 ex Inv Trusts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	21.73	25.18	[illegible]
FT-SE-A 350	[illegible]	[illegible]	1590.4	1585.0	1570.4	1401.2	3.74	8.08	20.07	13.42	[illegible]
FT-SE SmallCap	1912.29	—	1911.39	1903.70	1909.97	1539.28	2.93	4.14	29.78	10.64	[illegible]
FT-SE SmallCap ex Inv Trusts	1898.61	—	1898.73	1891.20	1898.05	1546.54	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A ALL-SHARE	[illegible]	-0.1	1580.52	1573.23	1581.87	1364.98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FT-SE Actuaries All-Share

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	60	[illegible]
Other Fixed Interest	8	[illegible]	1
Mineral Extraction	70	51	81
General Manufacturers	157	[illegible]	374
Consumer Goods	33	60	[illegible]
Services	89	122	[illegible]
Utilities	5	35	[illegible]
Financials	106	66	[illegible]
Investment Trusts	110	37	[illegible]
Others	52	[illegible]	[illegible]
Totals	631	633	1451

Data based on those companies listed on the London Share Service.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	[illegible]	[illegible] cov.	[illegible] yld	[illegible] net
[illegible]	F.P.	[illegible]	100	96	Abtrust High Inc	99		-	-	-	-
[illegible]	F.P.	[illegible]	[illegible]	134	Applied Distion	136		WN3.6	2.4	[illegible]	[illegible]
100	F.P.	11.2	[illegible]	[illegible]	[illegible] Inv	98		-	-	-	-
[illegible]	F.P.	[illegible]	166	159	Beazer Homes	162	-1	L5.0	2.2	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	137	133	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	30.6
-	F.P.	[illegible]	216	205	Capital Shop C'tre	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
-	F.P.	119.0	[illegible]	[illegible]	Central [illegible]	[illegible]	-1½	-	-	-	-
[illegible]											

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price	+/-
[illegible]							
56	Nil	17/5	26pm	18pm	DCS	23pm	
[illegible]	Nil	[illegible]	1pm	¾pm	‰Dunton	¾pm	
280	Nil	4/5	43pm	7pm	Henlys	7pm	-10
[illegible]	Nil	[illegible]	2½pm	1½pm	[illegible]	[illegible]	+½
40	Nil	20/5	5pm	4pm	Olives Prop	4pm	
282	Nil	13/5	10pm	[illegible]	[illegible]	6pm	[illegible]
280	Nil	[illegible]	18pm	1½pm	Proteus Intl	3pm	-1
60	Nil	9/5	10pm	8pm	Proudfoot	10pm	
85	Nil	25/5	12pm	3pm	Richardson West	3pm	
115	[illegible]	11/5	12½pm	7½pm	Senior Eng	7½pm	-2¼
72	Nil	11/5	11pm	8pm	[illegible]	8½pm	
[illegible]	[illegible]	6/5	[illegible]	[illegible]	Union	2¼pm	-3¼
30	Nil	5/5	11pm	2pm	Upton & Sthn	4pm	+1

FINANCIAL TIMES EQUITY INDICES

	Apr 7	Apr 6	Apr 5	Mar 31	Mar 30	Yr ago	*High	[illegible]
Ordinary Share	2474.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2713.6	[illegible]
Ord. div. yield	[illegible]	3.77	[illegible]	[illegible]	3.80	[illegible]	[illegible]	[illegible]
Earn. yld. % full	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.21	3.62
P/E ratio net	21.17	21.07	21.00	20.85	[illegible]	[illegible]	33.49	[illegible]
P/E ratio nil	22.07	21.94	[illegible]	21.78	21.82	18.25	[illegible]	[illegible]

*For 1994. Ordinary Share Index since compilation: [illegible] 2713.6 [illegible] low [illegible] 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly [illegible]

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
[illegible]	2473.6	2484.5	2489.6	[illegible]	2476.1	2480.6	2476.0	[illegible]	2482.9	2463.7

	Apr 7	Apr 6	Apr 5	[illegible]	Mar 30	Yr [illegible]
[illegible] [illegible]	[illegible]	49,166	45,780	40,901	[illegible]	24,185
Equity [illegible] (£m)†	-	[illegible]	[illegible]	[illegible]	1758.2	1062.6
Equity bargains†	-	53,707	[illegible]	49,505	55,855	28,[illegible]
[illegible] [illegible] (m)†	-	884.2	[illegible]	533.8	874.1	426.1

† Excluding intra-market business and overseas turnover.

FT GOLD MINES INDEX

[illegible]

BANKS

	Notes	Price	+ or -	1994 High	1994 Low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£22$\frac{11}{16}$	+$\frac{11}{16}$	£25$\frac{3}{8}$	£22$\frac{11}{16}$	6,901	4.8	Φ
ANZ A$		233$\frac{3}{4}$	-2	278$\frac{1}{4}$	220$\frac{1}{2}$	3,052	3.9	18.3
Abbey National	N□	467xd	-5	523	463	6,127	3.7	15.7
Allied Irish IE	♣□	246xd	-1	314	241	1,674	5.1	Φ
Anglo Irish IE	N□	58	—	*70	56	192.7	7.7	10.2
Asahi Y		708$\frac{1}{4}$	+2	759$\frac{1}{4}$	628	15,450	0.7	–
Banco Bi Viz Pta		£13$\frac{3}{4}$	+$\frac{1}{4}$	£16$\frac{7}{16}$	£14$\frac{5}{8}$	3,821	5.2	7.1
Banco Sant Pta		£31$\frac{1}{8}$	—	£34$\frac{1}{8}$	£28$\frac{15}{16}$	3,513	4.3	12.1
Bk Ireland IE	♣uz□	255	—	*319	246	1,202	4.9	18.8
Bank Scotland	♣†□	189	-4	247	183	2,280	3.1	25.7
9¼pc Pf		127$\frac{1}{4}$	-$\frac{1}{4}$	141$\frac{1}{2}$	126$\frac{1}{2}$	127.8	9.1	–
9¼pc Pf		134$\frac{3}{4}$	-$\frac{1}{4}$	149$\frac{1}{2}$	131$\frac{1}{2}$	134.8	9.0	–
Barclays	qN□	535xd	-1	649	497	8,688	3.6	27.3
Dai Ichi Kan Y		£12$\frac{1}{16}$	+$\frac{7}{32}$	£12$\frac{11}{16}$	£10$\frac{7}{16}$	38,452	0.4	68.1
Deutsche DM		£321$\frac{11}{16}$	+2$\frac{7}{16}$	£344$\frac{1}{4}$	£298$\frac{1}{4}$	15,334	1.9	–
Espirito Santo		£20$\frac{1}{8}$	+$\frac{1}{4}$	£25$\frac{1}{16}$	£19$\frac{1}{2}$	220.5	3.9	5.0
First Nat Fin	N□	73	-1	*80	60	121.0	2.6	–
6.3pc Cv Pf		[illegible]	—	*90	77	8.72	9.3	–
7pc Cv Pf		[illegible]	-$\frac{1}{2}$	171	123	71.4	5.8	–
Fuji Bank Y		[illegible]	+52$\frac{1}{2}$	[illegible]	1152$\frac{1}{2}$	43,212	0.4	–
HSBC HK	□	[illegible]	-3	1133	748	13,731	3.8	Φ
HSBC (75p Shs)	□	769xd	-1	1113	733	8,585	3.8	Φ
Lloyds	N□	565xd	—	668	540	7,260	4.9	11.9
Mitsubishi Y		£18$\frac{1}{4}$	+$\frac{1}{8}$	£18$\frac{3}{8}$	£15$\frac{5}{8}$	53,463	0.3	–
Mits Tst & Bk Y		1024$\frac{1}{4}$	+34	1027$\frac{1}{2}$	887$\frac{1}{2}$	13,337	0.5	16.4
Mitsui Tst & Bk Y		747$\frac{1}{4}$	+18$\frac{1}{4}$	811$\frac{1}{4}$	514	8,668	0.7	25.5
Nat Aust A$		582$\frac{1}{4}$	+5$\frac{3}{4}$	620$\frac{1}{4}$	537$\frac{1}{4}$	7,391	4.2	13.7
NatWest	N□	476xd	—	622	448	7,911	4.9	10.9
Ottomane FFr		£30$\frac{1}{4}$	—	£33	£27$\frac{3}{4}$	151.2	4.8	7.3
Ryl Bk Scotland	♣N□	408	-2	529	389	3,247	3.4	18.4
Sakura Y		£9$\frac{3}{8}$	+$\frac{1}{8}$	£9$\frac{11}{16}$	£8$\frac{1}{16}$	28,317	0.6	55.2
Sanwa Y		£14$\frac{1}{8}$	+$\frac{1}{4}$	£14$\frac{13}{16}$	£11$\frac{7}{8}$	42,251	0.4	–
Standard Chartd	♣N□	1080xd	+7	1437	1028	2,582	2.8	10.6
7 3/8pc Prf		96	-$\frac{1}{2}$	108$\frac{1}{2}$	92$\frac{1}{4}$	96.0	9.8	–
Sumitomo Y		£14$\frac{1}{2}$	+$\frac{3}{16}$	£16$\frac{1}{8}$	£11$\frac{1}{2}$	44,524	0.4	30.5
Sumitomo Tst Y		982$\frac{1}{2}$	+1$\frac{1}{2}$	1007$\frac{1}{2}$	625	11,970	0.6	75.4
TSB	N□	215	+1	291	210	3,288	4.5	14.7
Tokai Y		£7$\frac{1}{2}$	+$\frac{1}{16}$	£8$\frac{1}{8}$	£6$\frac{5}{8}$	15,849	0.7	52.2
Toyo Tst & Bk Y		721$\frac{3}{4}$	+10	745$\frac{1}{4}$	566$\frac{1}{4}$	6,673	0.7	64.4
Westpac A$		223	-1	280	207	3,909	2.4	Φ
Yasuda Tst Bk Y	‡	578$\frac{3}{4}$	+10$\frac{1}{4}$	634$\frac{1}{4}$	442	6,384	0.8	51.6

BREWERIES

	Notes	Price	+ or -	1994 High	1994 Low	Mkt Cap£m	Yld Gr's	P/E
Ascot Hldgs	□	7$\frac{1}{4}$	—	10$\frac{1}{4}$	6	25.9	–	–
Bass	N□	532	+3	619	507	4,603	4.7	14.2
Boddington	qN□	257xd	—	298	257	311.2	3.9	13.1
Burtonwood		168	—	193	168	34.9	3.6	14.0
Eldridge Pope A	♣N	142	-5	181	142	27.7	3.1	19.7
Fosters A$		57$\frac{1}{4}$	+1	68	55	1,859	8.0	67.9
Fuller STA	♣†	438	—	493	423	68.9	2.1	18.4
Gibbs Mew	♣†	420	—	423	373	27.0	2.5	20.8
Greenalls	♣N□	441	+1	511	429	929.8	3.5	15.0
Greene King	†N□	493	—	584	490	208.5	3.2	13.8
Grosvenor Inns	♣♣†□	144	-2	*165	124	18.7	3.9	21.8
[illegible]								

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

ENGINEERING, VEHICLES - Cont.

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap £m	Yld Gr's	P/E
Anglo Am Ind		[illegible]	—	[illegible]	[illegible]	1,329	3.3	18.2
Barlow		[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gold Flds Prop R		[illegible]	—	[illegible]	[illegible]	[illegible]	11.1	[illegible]
NK Props		[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]	37.0
SASOL		[illegible]	+2	391	[illegible]	1,577	[illegible]	-
SA Brews		[illegible]	—	[illegible]	[illegible]	5,977	2.5	18.3
Tiger Oats		[illegible]	-25	[illegible]	[illegible]	[illegible]	2.6	13.5
Tongaat-Hulett	†	544	—	[illegible]	434	457.2	2.7	18.2

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service [illegible] by [illegible], a member of the Financial Times Group.

Company classifications are based on [illegible] used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the [illegible] daily as a guide to yields and P/E ratios. Dividends and Dividend [illegible] published on Monday.

Market capitalisation shown is calculated [illegible] for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. [illegible] are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross [illegible] for a dividend tax credit of 20 per cent and allow for value of [illegible] distribution and rights.

Estimated Net Asset Values [illegible] for Investment Trusts, in pence per share, along with [illegible] discounts (Dis) or premiums (Pm -) to the current closing [illegible] NAV basis assumes prior charges at par value, [illegible] and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- Not officially UK listed; dealings permitted under Rule 535(2)
- Price at time of suspension
- Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- Unregulated collective [illegible] schemes.

[illegible] p Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Not subject to ACT. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1993. K Yield based on prospectus or other official estimates for 1994. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1993-94. N Figures based on IIMR 'Headline Earnings' P Figures based on prospectus or other official estimates for 1994. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: [illegible] ex dividend; [illegible] ex scrip issue; [illegible] ex rights; [illegible] ex all; [illegible] ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

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FT Cityline

Up-to-the-second share prices are available by telephone [illegible] the FT Cityline service. [illegible] Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) [illegible] for more details.

AUTHORISED UNIT TRUSTS

Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's

AIB Unit Trust Managers Limited

AXA Equity & Law Unit Tst Mngrs

Abbey Unit Tst Mngrs

Aberforth Unit Trust Managers Ltd

Abtrust Unit Trust Managers Ltd

Acorn Fund Managers Ltd

AEGON Unit Trusts Ltd

Allied Dunbar Unit Tsts PLC

Capel-Cure Myers UT Mngt Ltd - Contd.

Capital House Unit Tst Mngrs

Fidelity Investment Servs Ltd - Contd.

Guinness Flight Unit Tst Mgrs Ltd

HSBC Unit Trust Management Ltd

Legal & General (U.T. Mgrs) Ltd

Mercury Fund Managers Ltd - Contd.

Metropolitan Unit Trust Mngrs Ltd

Painton York UT Mngrs

Portfolio Fund Management Ltd

Premium Life Unit Tst Mngrs Ltd

Principal Unit Trust Mngmt Ltd

Prolific Unit Tst Mngrs Ltd

Schroder Unit Trusts Ltd - Contd.

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✓) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set at the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

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هكذا من الاصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

OTHER UK UNIT TRUSTS

INSURANCES

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust [illegible] are available over the telephone [illegible] FT Cityline Help Desk on (071) 873 4378 for more [illegible]

Scottish Amicable

150 St Vincent St, Glasgow 041-248 2323

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds (First Series)				
Managed	408.5	431.1	+0.30	-
Equity	577.0	607.4	+0.10	-
Property	288.3	303.5	+0.05	-
International	478.2	503.6	+3.00	-
Japanese	131.7	138.7	-0.70	-
Asia Pacific	183.9	193.6	+1.80	-
European	132.4	139.4	+2.40	-
American	180.3	188.8	+0.10	-
Fixed Interest	366.2	385.5	-0.20	-
Index-Linked Gilt	196.7	207.1	-0.40	-
Cash	225.3	237.2	-	-
Life Funds (Second Series)				
Managed	130.4	137.3	+0.10	-
Equity	124.6	131.2		-
Property	121.6	128.1	+0.10	-
International	148.5	156.4	+1.00	-
Japanese	132.5	139.5	-0.20	-
Asia Pacific	181.1	190.7	+1.80	-
European	131.6	138.8	+2.40	-
American	157.4	165.7	+0.20	-
Fixed Interest	138.3	145.6	-2.30	-
Index-Linked Gilt	126.3	133.0	-0.20	-
Cash	112.2	118.2	-	-
Pension Funds				
Building Society	179.8	189.3		-

Standard Life Assurance Company

3 George St, Edinburgh EH2 2XZ 031-225 2552

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	700.9	737.8	+0.8	-
Equity	987.6	1039.6	-0.2	-
Fixed Interest	393.1	413.8	-1.2	-
Index-Linked	207.8	218.8	-0.2	-
International	633.4	666.8	+3.2	-
North American	143.8	151.2	-0.1	-
Far East	177.5	186.9	+1.1	-
European	174.5	183.7	+1.2	-
Property	349.1	367.5	-	-
Cash	263.6	277.5	+0.1	-
Pension Managed	983.1	1034.9	+0.8	-
Pension Stock Exchange	221.7	233.4	+0.2	-
Pension Equity	1418.4	1494.2	-0.3	-
Pension Fxd Int	533.6	561.6	-1.6	-
Pension Index-Linked	287.4	302.6	-0.3	-
Pension International	896.1	943.3	+4.9	-
Pension Property	467.3	491.9	+0.1	-
Pension Cash	407.8	429.3	+0.1	-
Pension Nth American	179.2	188.7	-0.1	-
Pension Far East	143.0	150.6	+0.8	-
Pension European	209.9	221.0	+1.9	-

Sun Alliance Group

St Mark's Court Horsham 0403 232323

Life Funds

Windsor Life Assur Co Ltd - Contd.

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

11 Guildhall Walk, Portsmouth PO1 2LB

Providence Capitol International Ltd - Contd.

Royal Life Intl. Ltd

Scottish Equitable plc

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Group

Scottish Widows' Group

Skandia Life Assurance Co Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

CMI Insurance Co Ltd

Eagle Star International Life

Equitable Life (International)

Isle of Man Assurance Ltd

Lombard International Assurance SA

Professional Life Assurance Co Ltd

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

صكذا من الاصل

FT MANAGED FUNDS SERVICE

● FT-Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

INVESCO International Limited - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Apollo Fd Apr 6	SFr108.5	114.32	-2.83	-

*Weekly Dealing. †Fortnightly Dlng. **Monthly Dlng.

Jupiter Tyndall (Jersey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Gilt Fd	119.5	125.0	-0.4	1.88
Managed Currency Stly	122	129	-	-

Lloyds Bank Trust Co (CI) Mngrs

Dealing Weekly on Thursday

Lombard Odier (Jersey) Ltd

LUXEMBOURG (SIB RECOGNISED)

Dolphin Intl Investments (x) SICAV

14 rue Aldringen, L-1118 Luxembourg

E.T. Investment Management Ltd

Eagle Star - Global Assets Fund (x)

Sarasin Investment SICAV (x)

14 Rue Aldringen, L-2951, Luxembourg

Schroder International Selection Fd (x)

Scottish Equitable Intl Fund SICAV (x)

Sun Life Global Management Ltd

LUXEMBOURG (REGULATED)(**)

Espirito Santo Investment

Europe Value Fund (x)

EurOpios (x)

Fidelity Intl Inv Mngt (Luxembourg)

Fidelity Investment (CI) Ltd

The First Korea Smaller Cos

Fleming Group

Foreign & Colonial Emerging

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

MARKETS REPORT

Talks push lira higher

The Italian lira [illegible] sharply yesterday in response to increasing evidence of co-operation between the partners [illegible] the Freedom Alliance, victorious in [illegible] week's election, writes Philip Gawith.

The Italian currency was bolstered by the meeting of Mr Umberto Bossi, head of the Northern League, and Mr Gianfranco Fini, the third main partner in the alliance.

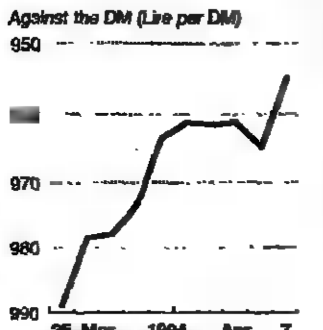
Contact [illegible] also re-established between the league and Mr Silvio Berlusconi, leader of the alliance. Earlier this week markets had been unsettled by comments from Mr [illegible] saying that Mr Berlusconi [illegible] unfit [illegible] head the next government. This led [illegible] a break-off in talks between the [illegible] parties.

Helped by the improved political sentiment, the lira broke through [illegible] against the D-Mark. Traders said the breach of [illegible] important technical level triggered covering of short lira positions. This accelerated the lira's advance with the currency finishing in London nearly 11 lira firmer [illegible] from [illegible] Wednesday's close.

Elsewhere the dollar ended the day strongly, driven [illegible] by rumours [illegible] a possible tightening of monetary policy, and technically-driven buying.

After slipping during the morning [illegible] a low of DM1.7085 against the D-Mark, the US currency rallied in the after[illegible] to [illegible] in London at DM1.7181 from DM1.7151 on Thursday.

Sterling, meanwhile, showed [illegible] *response to encouraging* output [illegible] showing industrial production [illegible] by 0.8 per cent in February. The pound finished in London at DM2.5204 from DM2.5173. It [illegible] virtually unchanged against the dollar, at $1.467 from $1.4678 on Wednesday.



Source: FT Graphite

■ Pound in New York

Apr 7	Latest	Prev. [illegible]
£ spot	1.4710	[illegible]
[illegible]	1.4692	[illegible]
[illegible] mth	[illegible]	[illegible]
1 yr	1.4598	[illegible]

increase.

[illegible] reports of [illegible] Bossi/Fini meeting emerged, however, the lira started [illegible] climb, putting pressure on the D-Mark.

Elsewhere in Europe, [illegible] D-Mark's performance [illegible] mixed. Against the French franc [illegible] stronger, closing at FFr3.426 from FFr3.420. The peseta, however, [illegible] recent rebound [illegible] close [illegible] Pta80.75 against the D-Mark from [illegible].

The Portuguese escudo finished slightly weaker [illegible] *Es101.6 from Es101.3.* [illegible] *it* had [illegible] a seven-week high *at* [illegible] *per* [illegible].

The Bank [illegible] Portugal maintained [illegible] *policy of high* short-term rates, injecting [illegible] *day* [illegible] *14* [illegible] *cent, keeping the emergency overnight lending* [illegible] *at* [illegible] *per cent,* [illegible] also providing five-day funds [illegible] *per cent.*

Overnight [illegible] jumped [illegible] *to 80 per cent from a close of* 30-40 per cent on Thursday. *Dealers said investors* [illegible] buying overnight funds to [illegible] *speculative positions against* the escudo.

■ *The gyrations of the lira* [illegible] the focus of attention *with traders describing it* [illegible] "wild day". The D-Mark started [illegible] day a [illegible] firmer, helped by reports of [illegible] smaller than anticipated *rise in unemployment in* March - 20,000 compared to [illegible] *25,000 forecast* - and French industrial production falling by 0.2 per cent in January, against expectations of a 0.2 per cent

■ German call money rates eased below 6 *per cent after* the Bundesbank allocated *DM7bn of securities repurchase* funds in a seven-day tender set at 5.73 per cent, the prevailing repo rate. The added liquidity helped call money [illegible] to 5.75/5.90 per cent from 5.85/6.05 per cent on Wednesday.

Since January, the Bundesbank [illegible] *only limited* options for adding [illegible] liquidity [illegible] the market [illegible] to the [illegible] abolition [illegible] section 17 funds.

Previously, public authority funds [illegible] at the Bundesbank under section 17 of the [illegible] bank [illegible] had [illegible] to [illegible] money [illegible] to relieve short-term liquidity shortages. [illegible] the [illegible] time since [illegible] changes that [illegible] had [illegible] a short-term [illegible].

Mr Steve Hannah, [illegible] research [illegible] IBJ International, [illegible] a "money market management operation, rather than any important policy signal." He [illegible] a lowering of [illegible] unlikely given [illegible] trade-weighted weakness of [illegible] D-Mark following the [illegible] in [illegible] dollar.

There [illegible] little activity in [illegible] futures [illegible] with [illegible] June three month euromark contract finishing [illegible] point [illegible].

In France, meanwhile, [illegible] central bank [illegible] its intervention [illegible] unchanged [illegible] a securities repurchase tender [illegible] inject [illegible] today.

In [illegible] *UK* [illegible] market the [illegible] England provided [illegible] of [illegible] earlier putting [illegible] liquidity *into* [illegible] *market. The shortage* [illegible].

The [illegible] rally [illegible] petered [illegible] *June short sterling* [illegible] tract finishing the day *unchanged at* [illegible].

■ *The rally in the dollar ahead* of the speech by Mr Alan *Greenspan, chairman of the* Fed, proved misplaced when [illegible] *confined* [illegible] *comments* [illegible] *con*[illegible] confidence.

The June eurodollar contract [illegible] unchanged yesterday at *95.54, implying short term* [illegible] 4.48 per [illegible] in June compared [illegible] per cent - 4 per cent now.

■ OTHER CURRENCIES

Apr 7	£	$
Hungary	[illegible] - 152.772	[illegible] - 104.070
Iran	[illegible] - 2572.60	[illegible]
Kuwait	0.4367 - 0.4378	0.2976 - 0.2983
Poland	32846.1 - 33870.5	22380.0 - 22398.0
Russia	3395.12 - 3900.99	1769.00 - 1773.00
U.A.E.	5.3941 - 5.4062	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Apr 7		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	[illegible]	17.8920	-0.0186	823 - 017	17.7582	17.8663	17.8882	0.3	17.8826	0.2	-	-	113.3
Belgium	[illegible]	51.9465	+0.1063	141 - 789	52.0028	51.7989	51.9815	-0.8	52.0265	-0.6	52.0715	-0.2	114.3
Denmark	[illegible]	9.8608	-0.0058	559 - 656	9.8943	9.8300	9.871	-1.2	9.8843	-1.0	9.894	-0.3	114.1
Finland	(FM)	8.0977	-0.0378	876 - 078	[illegible]	[illegible]	-	-	-	-	-	-	82.0
France	[illegible]	8.6326	+0.0252	267 - 384	8.6389	8.5988	8.6379	-0.7	8.6457	-0.6	8.6889	-0.4	108.8
Germany	(DM)	2.5204	+0.0031	192 - 216	2.5307	2.5107	2.5217	-0.6	2.5227	-0.4	2.5122	0.3	122.1
Greece	(Dr)	370.051	+0.985	558 - 544	370.544	368.818	-	-	-	-	-	-	-
Ireland	[illegible]	1.0408	+0.0008	393 - 419	1.0430	1.0378	1.0414	-1.0	1.0429	-0.9	1.0482	-0.7	102.2
Italy	(L)	2408.75	-25.12	183 - 567	2428.64	2398.22	2409.95	-3.1	2422.85	-3.2	2468.55	-2.7	79.2
[illegible]	(LFr)	51.9465	+0.1063	141 - 789	52.0028	51.7988	51.9815	-0.8	52.0265	-0.6	52.0715	-0.2	114.3
Netherlands	[illegible]	2.8289	+0.0042	274 - 304	2.8308	2.8169	2.8294	-0.2	2.8292	0.0	2.8268	0.1	117.9
Norway	[illegible]	10.9230	+0.0161	178 - 282	10.9684	10.8765	10.9174	0.6	10.9259	-0.3	10.9211	0.0	84.5
Portugal	[illegible]	255.699	+0.677	318 - 079	256.275	253.959	256.674	-4.6	258.619	-4.6	-	-	-
Spain	(Pta)	203.488	-0.089	345 - 630	204.534	202.969	203.993	-3.0	204.978	-2.9	208.438	-2.4	85.8
Sweden	(SKr)	11.6044	-0.0526	949 - 138	11.6918	11[illegible]	11.6254	-2.2	11.6614	-2.0	11.7804	-1.5	77.1
[illegible]	[illegible]	2.1267	+0.0012	272 - 301	2.1315	2.1222	2.1288	1.0	2.1225	1.2	2.0946	1.8	117.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.8
Ecu	-	1.3029	+0.0012	022 - 036	[illegible]	[illegible]	1.304	-1.0	1.3056	-0.8	1.3058	-0.2	-
SDR†	-	0.950296	-	-	-	-	-	-	-	-	-	-	-
[illegible]													
Argentina	[illegible]	[illegible]	+0.0007	696 - 676	1.4702	1.4639	-	-	-	-	-	-	-
Brazil	(Cr)	[illegible]	[illegible]	541 - 641	1450.00	1419.00	-	-	-	-	-	-	-
Canada	[illegible]	[illegible]	[illegible]	327 - 348	2.0405	2.0327	2.0341	-0.2	2.0381	-0.5	2.05	-0.8	87.1
[illegible]	(New Peso)	[illegible]	-0.004	230 - 337	4.9230	4.9347	-	-	-	-	-	-	-
USA	($)	1.4670	-0.0008	665 - 676	1.4720	1.4665	1.4652	1.5	1.4622	1.3	1.4555	0.8	66.7
Pacific/Middle East/Africa													
Australia	[illegible]	[illegible]	[illegible]	582 - 611	2.0639	2.0582	2.0582	0.9	2.0558	0.7	2.0539	0.3	-
Hong Kong	[illegible]	[illegible]	[illegible]	309 - 401	11.3737	11.3309	11.3225	1.4	11.3171	0.7	11.268	0.8	-
India	(Rs)	[illegible]	[illegible]	004 - 355	46.1730	46.0004	-	-	-	-	-	-	-
Japan	(Y)	[illegible]	[illegible]	689 - 887	154.090	152.870	153.396	3.0	[illegible]	3.0	149.013	3.1	187.1
Malaysia	(M$)	[illegible]	[illegible]	390 - 432	3.9825	3.9390	-	-	-	-	-	-	-
New Zealand	[illegible]	2.5839	-0.01	814 - 884	2.6002	2.5814	2.5866	-1.3	[illegible]	-1.1	2.5897	-0.6	-
[illegible]	(Peso)	[illegible]	-0.0208	821 - 498	41.5109	[illegible]	-	-	-	-	-	-	-
Saudi Arabia	[illegible]	[illegible]	[illegible]	987 - 040	5.5301	[illegible]	-	-	-	-	-	-	-
Singapore	[illegible]	[illegible]	[illegible]	017 - 047	2.3137	[illegible]	-	-	-	-	-	-	-
S Africa (Com.)	[illegible]	5.2141	[illegible]	112 - 170	5.2272	[illegible]	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.2543	-0.0111	445 - 641	[illegible]	[illegible]	-	-	-	-	-	-	-
South Korea	[illegible]	[illegible]	+1.15	801 - 014	[illegible]	[illegible]	-	-	-	-	-	-	-
Taiwan	(T$)	[illegible]	[illegible]	569 - 980	38.7900	38.6569	-	-	-	-	-	-	-
Thailand	[illegible]	37.1445	-0.0043	171 - 718	37.2580	37.1171	-	-	-	-	-	-	-

†SDR rate for Apr 6. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 7		Closing mid-point	Change on [illegible]	Bid/offer spread	[illegible] high	[illegible]	One month [illegible]	One month [illegible]	Three months [illegible]	Three months [illegible]	One year Rate	One year [illegible]	J.P. Morgan index
Europe													
Austria	(Sch)	[illegible]	[illegible]	575 - 625	[illegible]	[illegible]	[illegible]	-1.8	12.1072	-1.8	12.1167	-0.5	102.7
Belgium	[illegible]	35.4100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-2.4	[illegible]	-2.0	[illegible]	-1.1	103.9
Denmark	[illegible]	6.7217	[illegible]	207 - 227	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-2.4	[illegible]	-1.2	103.0
Finland	(FM)	[illegible]	[illegible]	149 - 249	[illegible]	[illegible]	[illegible]	-1.5	[illegible]	-1.1	[illegible]	-0.5	78.5
France	[illegible]	[illegible]	+0.0201	625 - 665	[illegible]	[illegible]	[illegible]	-2.3	[illegible]	-2.0	[illegible]	-0.9	103.6
Germany	[illegible]	1.7181	-0.003	178 - 183	1.7183	[illegible]	1.7212	-2.1	[illegible]	-1.7	1.726	-0.5	104.0
[illegible]													

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 7		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	[illegible]	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.98	16.62	4.851	2.004	4628	5.449	[illegible]	492.2	391.7	22.33	[illegible]	[illegible]	3.915	2.824	298.1	2.508
Denmark	(DKr)	52.69	10	8.756	2.556	1.056	2438	2.869	11.07	259.3	206.4	11.76	2.159	1.014	2.063	[illegible]	156.0	1.321
France	(FFr)	60.18	11.42	10	2.919	1.206	2786	3.277	[illegible]	[illegible]	235.7	13.44	2.468	1.158	[illegible]	1.699	[illegible]	[illegible]
Germany	(DM)	20.62	3.913	3.426	1	0.413	954.0	1.123	4.333	[illegible]	80.75	4.603	[illegible]	0.397	0.807	0.582	61.03	[illegible]
Ireland	(I£)	49.90	9.473	8.293	2.421	1	2309	2.718	10.49	[illegible]	195.5	11.14	2.045	0.961	[illegible]	1.409	147.7	1.282
Italy	(L)	2.161	0.410	0.359	0.105	0.043	100.	0.118	0.454	10.64	8.465	0.483	[illegible]	0.042	0.086	0.061	[illegible]	0.054
Netherlands	(Fl)	18.36	3.486	3.052	0.891	0.368	849.8	1	3.860	90.39	71.93	4.100	0.753	0.353	0.719	[illegible]	[illegible]	0.461
Norway	(NKr)	47.57	9.030	7.906	2.308	0.953	2201	2.591	10	234.2	186.4	10.62	[illegible]	0.916	1.863	1.343	[illegible]	[illegible]
Portugal	(Es)	20.32	3.856	3.376	0.986	0.407	940.2	1.106	4.271	100.	[illegible]	4.537	[illegible]	0.391	[illegible]	0.574	[illegible]	0.510
Spain	(Pta)	25.53	4.846	4.242	1.238	0.512	1181	1.390	5.366	125.7	[illegible]	[illegible]	1.046	0.491	1.000	0.721	75.58	0.640
Sweden	(SKr)	44.78	8.501	7.442	2.172	0.897	2072	2.439	9.414	[illegible]	175.4	[illegible]	1.835	0.862	1.753	1.265	132.6	1.123
Switzerland	(SFr)	24.40	4.632	4.056	1.184	0.489	1129	1.329	5.129	120.1	95.56	[illegible]	1	[illegible]	[illegible]	0.689	[illegible]	[illegible]
UK	(£)	51.95	9.861	8.633	2.520	1.041	2404	2.829	10.92	[illegible]	203.5	11.60	2.129	1	2.034	1.467	153.8	[illegible]
Canada	(C$)	25.54	4.848	4.244	1.239	0.512	1182	1.391	[illegible]	125.7	[illegible]	5.703	1.047	0.492	1	0.721	[illegible]	0.641
US	($)	35.41	6.722	5.885	1.718	0.710	1639	1.928	7.444	174.3	138.7	7.907	1.451	0.682	1.387	1	[illegible]	0.888
Japan	(Y)	337.5	64.12	56.13	16.38	6.769	15631	18.39	71.00	[illegible]	[illegible]	75.42	[illegible]	6.502	13.22	9.538	1000.	[illegible]
Ecu		39.87	7.568	6.625	1.934	0.799	1845	2.171	[illegible]	196.2	156.2	[illegible]	[illegible]	0.767	1.561	1.126	118.0	1

Yen per 1,000: Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	[illegible]	Change	High	Low	[illegible]	Open int.
Jun	0.5813	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	0.5804	0.5810	[illegible]	0.5810	[illegible]	421	[illegible]
Dec	-	[illegible]	[illegible]	-	-	6	118

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9601	0.9627	[illegible]	[illegible]	0.9576	[illegible]	61,954
Sep	0.9689	[illegible]	[illegible]	[illegible]	0.9669	227	[illegible]
Dec	-	0.9730	-	0.9730	-	172	820

EMS EUROPEAN CURRENCY UNIT RATES

Apr 7	[illegible] cen. rates	Rate against Ecu	Change on day	% +/- from cen. [illegible]	% [illegible] v [illegible]	Div. ind.
Netherlands	[illegible]	2.17088	-0.00051	-1.18	2.99	-
Ireland	0.808628	[illegible]	+0.001068	-1.02	[illegible]	7
Belgium	40.2123	39.8906	+0.0345	-0.80	2.80	6
Germany	1.94964	[illegible]	[illegible]	-0.79	[illegible]	-
France	6.53883	6.62201	+0.01129	1.27	0.60	-11
Spain	154.250	156.305	-0.107	1.33	[illegible]	-9
Portugal	192.854	195.930	+0.226	1.59	[illegible]	-11
Denmark	7.43679	7.56931	-0.00764	1.78	[illegible]	-12
NON ERM MEMBERS						
Greece	264.513	283.865	+0.055	7.32	-6.16	-
Italy	[illegible]	1856.51	-9.67	3.53	-1.89	-
UK	0.786749	0.769805	+0.001498	-2.15	4.02	-

Ecu central [illegible] set by [illegible] European Commission. Currencies [illegible] descending [illegible] strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

[illegible]

■ STERLING FUTURES

[illegible]

WORLD INTEREST RATES

MONEY RATES

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

[illegible]

■ THREE MONTH EURODOLLAR (LIFFE) $1m points of 100%

[illegible]

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

[illegible]

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

[illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

[illegible]

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

[illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

■ [illegible] OPTIONS (LIFFE)

[illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

[illegible]

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	Calls [illegible]	Calls [illegible]	Calls [illegible]	Puts [illegible]	Puts [illegible]	Puts [illegible]
9450	0.15	0.22	0.19	0.15	[illegible]	0.69
9475	0.06	0.13	0.12	0.31	[illegible]	[illegible]
9500	0.02	[illegible]	0.07	[illegible]	0.77	1.07

Est. vol. total, Calls 2731 Puts 3626. Previous day's open int., Calls 160817 Puts 159086

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	Standard Chartered	5.25
Bank of Baroda	5.25	Girobank	5.25	TSB	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	●United Bk of Kuwait	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Unity Trust Bank Plc	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Western Trust	5.25
Bank of India	5.25	Heritable & Gen Inv Bk	5.25	Whiteaway Laidlaw	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25	Yorkshire Bank	5.25
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	6.25	●Rea Brothers	5.25		

● Members [illegible] Merchant Banking [illegible] Securities Houses [illegible]
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

صكنا من الاجل

هكذا من الأصل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 7 / [illegible])

[illegible]

BELGIUM/LUXEMBOURG (Apr 7 / Frs.)

[illegible]

DENMARK (Apr 7 / Kr)

[illegible]

FINLAND (Apr 7 / [illegible])

[illegible]

FRANCE (Apr 7 / Frs.)

[illegible]

GERMANY (Apr 7 / Dm.)

[illegible]

ITALY (Apr 7 / Lire)

[illegible]

NETHERLANDS (Apr 7 / Fls.)

[illegible]

NORWAY (Apr 7 / Kroner)

[illegible]

SPAIN (Apr 7 / Pts.)

[illegible]

SWEDEN (Apr 7 / Kronor)

[illegible]

SWITZERLAND (Apr 7 / Frs.)

[illegible]

PACIFIC

JAPAN (Apr 7 / Yen)

[illegible]

AUSTRALIA (Apr 7 / [illegible])

[illegible]

HONG KONG (Apr 7 / H.K.$)

[illegible]

MALAYSIA (Apr 7 / MYR)

[illegible]

SINGAPORE (Apr 7 / S$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Apr 7 / Can $)

4 pm close

[illegible]

MONTREAL (Apr 7 / Can $)

4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Apr 7 / Rand)

[illegible]

Prices supplied by [illegible]

[illegible] on this page are as quoted on the [illegible] and are mostly last traded [illegible] 1994, except Toronto & [illegible] suspended. [illegible] or its rights. [illegible]

FT FREE ANNUAL REPORTS SERVICE

[illegible] FT Japan [illegible]

TOKYO - MOST ACTIVE STOCKS: [illegible] 7, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sumitomo Coal	9.0m	984	+81	Fujiko	3.6m	[illegible]	+37
[illegible]ray	5.5m	700	+5	Taiheiyo	3.4m	[illegible]	+42
[illegible]bishi Rayon	3.7m	394	+20	Mitsui Matushima	3.4m	[illegible]	+25
Japan Mil	3.7m	660	+40	Ricoh	3.3m	[illegible]	−5
Teijin	3.6m	518	+29	Toyobo	3.3m	[illegible]	+34

INDICES

[illegible]

Italy					
Banca Comm Ital (1972)	748.38	732.52	724.53	748.38 7/4	588.88 10/1
MIB General (4/1/94)	[illegible]	1170.0	11[illegible]	1194.00 7/4	944.00 10/1
Japan					
Nikkei 225 (16/5/49)	19880.98	19696.74	19563.21	20677.77 16/3	17369.74 4/1
Nikkei 300 (1/10/82)	295.54	292.99	291.06	304.25 1/3	268.22 4/1
Topix (4/1/68)	1613.19	1600.41	1588.83	1653.27 16/3	1445.97 4/1
2nd Section (4/1/68)	2244.99	2236.25	2208.12	2244.99 7/4	[illegible] 4/1
Malaysia					
KLSE Comp.(4/4/86)	988.16	954.51	938.71	1314.46 5/1	[illegible] 4/4

[illegible]

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Apr	2136.0	[illegible]	[illegible]	[illegible]	2119.0	[illegible]	27,418
[illegible]	[illegible]	[illegible]	-6.0	[illegible]	[illegible]	320	[illegible]
Jun	[illegible]	2115.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Open interest figures for previous day.

** Sat Apr 2 : Taiwan Weighted Price 5420.98; Korea Comp Ex 855.37. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. [illegible] Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Apr 7 – 2202.57 +17.66

US INDICES

Dow Jones	Apr [illegible]	[illegible] 5	[illegible]	1994 High	1994 Low	Since compilation High	Since compilation Low
[illegible]	3679.73	3675.41	[illegible]	[illegible]	[illegible] (4/4)	[illegible] (31/1/94)	41.22 (2/7/32)
Home Bonds	[illegible]	98.85	98.77	[illegible]	98.77	100.77	54.99
Transport	1651.[illegible]	1647.11	[illegible]	1862.29 (2/2)	[illegible] (4/4)	1862.29 (2/2/94)	12.32 (8/7/32)
[illegible]	195.[illegible]	193.00	192.99	227.[illegible] (3/1)	192.99 (4/4)	256.[illegible] (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3722.34 (3668.15) Low 3643.16 (3625.02) (Theoretical♦) Day's high 3695.27 (3660.30) Low 3658.12 (3598.25) (Actual♦)

Standard and Poors							
Composite ‡	449.05	449.2[illegible]	438.92	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♦	524.03	524.78	513.34	5[illegible] (2/2)	513.34 (4/4)	5[illegible] (2/2/94)	3.62 (21/6/32)
Financial♦	42.[illegible]	42.33	41.39	46.5[illegible] (31/1)	41.39 (4/4)	48.[illegible] (28/9/93)	8.64 (1/10/74)
NYSE Comp.	248.[illegible]	248.41	243.14	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	440.[illegible]	440.[illegible]†	434.13	487.[illegible] (2/3)	434.13 (4/4)	487.[illegible] (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	739.72	738.[illegible]	727.41	803.[illegible] (18/3)	727.41 (4/4)	803.[illegible] (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Mar 31	Mar 25	Mar 18	Year ago
Dow Jones Ind. Div. Yield	[illegible]	2.70	[illegible]	[illegible]
	Apr 6	Mar 30	[illegible]	Year ago
S & P Ind. Div. yield	[illegible]	2.51	2.39	[illegible]
S & P Ind. P/E ratio	23.87	23.55	24.83	[illegible]

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	[illegible]	Latest	Change	High	Low	Est. vol.	Open Int.
Jun	[illegible]	[illegible]	+0.60	[illegible]	[illegible]	82,718	[illegible]
[illegible]	450.00	449.75	+0.95	450.00	[illegible]	643	[illegible]
[illegible]	-	451.50	-	451.[illegible]	-	64	[illegible]

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Telefonos	6,826,700	59	+1⅛
Ben Vaksm	4,649,600	59⅝	+1⅛
Woolworth	4,406,000	13⅞	−⅞
Airtouch	4,109,700	22⅞	−⅛
Chrysler	3,346,700	64⅝	+⅜
Philip Morris	3,019,400	48⅝	−⅛
Am Express	2,906,100	29⅝	+1⅛
RJR Nabisco	2,831,300	6⅝	+⅛
Wal-Mart	2,711,300	25⅝	−⅛
ATT	2,376,800	51⅞	−⅛

■ TRADING ACTIVITY

● Volume (millions)

	Apr 6	Apr [illegible]	Apr 4
New York SE	300.789	365.871	342.852
[illegible]	[illegible]	18.875	20.854
NASDAQ	293.894	330.808	313.722
NYSE			
Issues Traded	2,789	2,813	2,806
Rises	1,271	2,157	371
Falls	950	323	2,118
Unchanged	578	333	325
New Highs	18	6	3
New Lows	89	105	649

† Correction. * Calculated at 16.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17 3/8	14 1/8	AAR	0.48	3.0	529	56	16	15 3/4	15 7/8	-1/8
16 7/8	14	A L Labs A x	0.18	1.1		58	15 7/8	15 3/4	15 7/8	
65 1/2	58 3/4	AMP	1.68	2.8		3097	60 7/8	60 1/8	60 7/8	-1/4
72 3/4	55 1/2	AMR				3037	59	58	58 5/8	-1/8
5	3 5/8	ARX			15	103	4 1/2	4 3/8	4 1/2	
56 1/4	41 1/2	ASA	2.00	4.8	27	591	42 1/8	41 5/8	41 3/4	
30 5/8	25 3/8	AbbotL	0.76	2.8	15	7879	27 1/8	26	26 7/8	+1/8
13 3/4	11 3/8	Abitibi Pr	0.50	4.0	8	71	12 3/4	12 1/2	12 5/8	
13 3/4	11 1/8	Acptncele			21	10	11 3/4	11 3/4	11 3/4	+1/8
31	24 1/2	ACE Ltd x	0.40	1.4	4	282	28	26 7/8	28	+1 1/4
12 1/2	10 1/8	ACM Gvt In x	1.09	9.8			11 1/8	10 7/8	11 1/8	+1/8
10 1/8	7 7/8	ACM GvOpp x	0.80	9.5			8 3/8	8 1/4	8 3/8	+1/8
10 5/8	8 3/8	ACM Gvt Sp x	0.96	11.0		288	8 3/4	8 5/8	8 3/4	+1/8
12	9 3/4	ACM Gvt Se x	1.09	10.6		437	10 3/8	10 1/8	10 3/8	+1/4
11 3/4	8 3/4	ACM Man x	1.08	11.2		650	9 3/4	9 1/2	9 5/8	
9 1/4	8	ACM Managd x	0.72	8.7		18	8 1/4	8 1/4	8 1/4	
10 5/8	8 3/4	AcmeClv	0.44	4.6	11	14	9 5/8	9 5/8	9 5/8	-1/8
8 1/2	7 1/8	Acme Elect			33	30	7 3/4	7 5/8	7 5/8	-1/8
28 3/4	23	Acordia	0.60	2.2	13	42	27 1/8	27	27	-1/4
9 3/4	5 3/4	Actava	0.36	5.8	2	188	6 3/8	6 1/4	6 1/4	-1/2
13 7/8	11 1/4	Acuson			97	134	12 5/8	12 1/4	12 5/8	+1/4
18 3/8	16 1/2	Adams Expr	0.36	2.1	0	68	17 1/8	17	17 1/8	+1/8
64	46 1/2	Ad Micro	3.00	5.2		67	58 1/2	57	57 3/8	-1 1/2
31 1/4	16 1/4	AdvMic	3.00	10.6	12	14750	23 3/8	20 1/8	20 3/8	-1/8
6 7/8	5 5/8	Advest Grp	0.16	2.7	9	90	6 1/8	6	6	
20	16 3/4	Advo Inc x	0.10	0.6	119	70	17 7/8	17 1/2	17 7/8	+3/8
57 1/4	49 3/8	Aegon ADR	1.23	2.4	11	46	51 5/8	51 1/2	51 5/8	-1/8
65 3/4	50	AetnaL	2.76	5.2	9	5245	53 1/8	51 3/4	53	+3/8
31 7/8	25 1/4	Aflac	0.40	1.3	12	579	30	29 7/8	30	+1/8
20 1/4	16 3/8	Ahmson	0.88	5.1	11	542	17 1/4	16 7/8	17 1/4	+1/8
4	1 3/8	[illegible]			2	88	2 3/8	2 1/4	2 1/4	
49 7/8	43 3/8	[illegible]	0.92	[illegible]	25	1806	45 1/2	45	[illegible]	-3/8
38 7/8	33 1/8	Airbne Frt	0.30	[illegible]	21	845	36 1/2	35 3/4	[illegible]	+1
28	19 3/4	Airgas Inc			38	841	22	20 5/8	22	+1

[illegible]

Continued on next page

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NYSE COMPOSITE PRICES

4 pm close April 7

Continued from previous page

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

[illegible]

- T -

[illegible]

- U -

[illegible]

NASDAQ NATIONAL MARKET

4 pm close April 7

- A -

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

- T -

[illegible]

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

[illegible]

AMEX COMPOSITE PRICES

4 pm close April 7

[illegible]

AMERICA

Profit-taking leaves Dow in retreat

Wall Street

US blue chips retreated yesterday morning in spite of a steady bond market and evidence [illegible] a rebound in consumer confidence, *writes Frank McGurty in New York.*

By 1 pm, the Dow [illegible] Industrial Average [illegible] lower at [illegible] while the [illegible] broadly [illegible] Standard & Poor's 500 [illegible] higher to 448.11. In the secondary markets, the American SE composite was [illegible] 0.11 [illegible] The Nasdaq composite added 1.91 to 752.71 amid continued bargain-hunting in the [illegible] of a [illegible] sell-off early in the week.

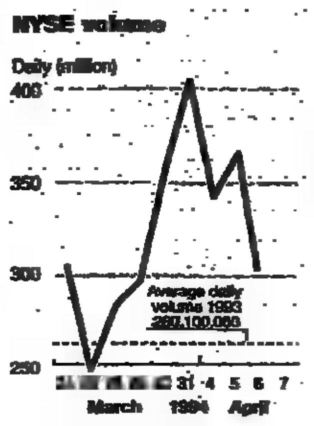
[illegible] opened on a [illegible] note, [illegible] profit-takers [illegible] opportunities [illegible] Tuesday's 82-point jump in [illegible] industrials and a smaller [illegible] on Wednesday.

For the [illegible] part, there was little to influence sentiment. The bond [illegible] was holding steady in spite of speculation over monetary policy triggered by the Federal Reserve chairman, Mr Alan Greenspan, who was speaking to businessmen in San Francisco. [illegible] he thought the country's [illegible]nomic pessimism was unjustified and predicted [illegible] jitters would soon be quelled.

The morning was also punctuated by conflicting signs of the [illegible], neither [illegible] which were viewed [illegible] particularly significant. The Labor Department reported that initial claims for state unemployment benefit [illegible] slightly [illegible] week, suggesting a slowing [illegible] the [illegible].

Conversely, [illegible] US [illegible] provided [illegible] positive indication [illegible] consumers returned in [illegible] to the shopping malls [illegible] month [illegible] February's deep freeze. The figures [illegible] that the economy as a [illegible] may not [illegible] much [illegible] in the first quarter.

Strong [illegible] helped lift several of the big retailers. The Gap [illegible] near [illegible] top of the



[illegible] most [illegible] posting [illegible] in [illegible] opened [illegible] a year. [illegible] stock jumped [illegible] to [illegible]

Dillard Department [illegible] was in [illegible] showing a [illegible] per [illegible] price climbed [illegible] to $35¼. But Sears, [illegible] improved [illegible] cent, [illegible] by the [illegible]. The [illegible] slipped [illegible] $47.

Elsewhere, Wal-Mart added [illegible] to $26¼ and [illegible] Penney inched $¼ ahead.

In the previous session, Caterpillar [illegible] for [illegible] all of Dow's modest gain. Yesterday, it was leading [illegible] downturn. The stock sank $2¼ to $117.

On the Nasdaq, Sun Microsystems gained $2⅞ to $25⅞. [illegible] Lynch upgraded the stock after the computer workstation supplier posted [illegible] quarter earnings of 60 cents a share, against 47 cents a year earlier.

Canada

Toronto recovered slight early losses by midday in sluggish trade as a measure of confidence returned. The TSE 300 composite index, down more than 18 points at the opening, was 4.62 higher at 4,317.88 by noon in volume of 31.3m shares valued at C$397.12m. Advances led declines 334 to 243 with 297 unchanged.

Eight of Toronto's sub-sectors reported gains, led by transportation, while precious metals sufferd the most of six declining sub-indexes.

[illegible] included Dia Met Minerals, up another C$1¼ to [illegible] on results [illegible] Lac de Gras diamond operation in the Northwest Territories.

Analysts were at a loss to explain a fall in motor components maker Magna International [illegible] B [illegible] A [illegible]

Mexico

Equities were little changed in *early trading* but the general [illegible] remained forward, following Wednesday's [illegible]

The IPC index was up 7.5 at 2,268.02 in volume of some 9m [illegible]

Among [illegible] risers Telmex had put on 1.2 per cent, while in the construction sector Tri[illegible] also 1.2 per [illegible] stronger.

EUROPE

Bourses gain ground on relative strength theory

Arguments that bourses have a life independent of Wall [illegible] grew in strength yesterday, *writes Our Markets Staff.*

ZURICH was higher for the third straight day, as financials continued to enjoy their [illegible] found favour, and [illegible] SMI index added 30.7 to [illegible].

Mr Hans Kaufmann at Bank Julius Baer in Zurich, highlighted comments earlier this [illegible] by [illegible] Markus Lusser, [illegible] Bank president, [illegible] long-term [illegible] should [illegible] down to *January's* [illegible] levels, [illegible] D-Mark, damaging [illegible] Swiss exporters, was [illegible] temporary phenomenon.

Mr Kaufmann [illegible] that, while foreign demand was still limited, he [illegible] that much of the recent switching of portfolios out of the Swiss market [illegible] complete [illegible] were coming to the conclusion that the outlook was better than they had earlier thought.

Among [illegible] financials, UBS rose SFr43, [illegible] 3.6 per cent, to SFr1,238. Winterthur finished SFr5 ahead at SFr705, after a [illegible] of SFr720, in response to [illegible] of significantly higher 1993 [illegible] profit.

[illegible] registered [illegible] or 4.4 [illegible] SFr1,060 [illegible] better-than-expected results. Swissair, omitting [illegible] was [illegible] lower to [illegible]

Hero, [illegible] disappointed the market earlier in [illegible] week, fell [illegible] to [illegible] a German importer withdrew baby [illegible] by a Spanish subsidiary.

[illegible] rally continued [illegible] foreign and [illegible] buyers, and [illegible] 13.86, [illegible] per cent, [illegible] a 45-month high [illegible]

[illegible] Warburg [illegible] that, if margins were normalised, [illegible] p/e ratio [illegible] only 10 times, [illegible] commented [illegible] the currency [illegible] undervalued. It [illegible] bond market, by trading [illegible] 3 per [illegible] above [illegible] yields, [illegible] pricing in a [illegible] of [illegible] political [illegible] that irreversible reforms had [illegible] place which meant that [illegible] "bad [illegible] world" would not return, whatever the political outcome; [illegible] that political worries [illegible] almost always exaggerated.

Fiat rose L250 or 4.3 per cent to L6,037, on renewed [illegible] that it planned [illegible] sales, with Toro the favoured candi[illegible]. The [illegible] rose L1,116 [illegible] per cent [illegible]

Pirelli rose L77, or [illegible] per cent, [illegible] L2,939 amid [illegible] for [illegible] link with Stet, which [illegible] privatised [illegible] in the year.

Benetton slid L440 [illegible] L27,916 on news it was calling an extraordinary shareholders meeting [illegible] obtain approval to place 19m ordinary new shares on foreign markets.

FRANKFURT broke through 2,200 on the Dax [illegible], peaked at 2,218.17 in the post-bourse and [illegible] Wall [illegible] came in lower. The *Ibis*-indicated [illegible] 3,204.46 after [illegible] 10.21 [illegible] on [illegible] session, and turnover rose *from DM9.1bn to DM10.3bn.*

Allianz, the insurer, [illegible] with a rise of DM38 [illegible] DM2,703. Carmakers were subdued after [illegible] dividend [illegible] rights [illegible] news, which left [illegible] shares down [illegible] session, and receding [illegible]

[illegible] permission [illegible] Kaufhof/Hor[illegible], and the [illegible] DM510 respectively - in defiance [illegible] adage that, in a [illegible] bid, only one [illegible] of [illegible] win.

[illegible] saw [illegible] CAC [illegible] at [illegible] session high of 2,146, before slipping during the [illegible] 2,119.57.

There [illegible] of [illegible] further rights issues, [illegible] from Cerus, [illegible] holding company, which came during trading and [illegible] other from Cap Gemini Sogeti, the computer services group, after the close.

Cerus, the holding company, fell FFr7.80 to FFr129.00 on a FFr858m rights issue at FFr100 [illegible] its *debt*, [illegible] mated [illegible] FFr852m at the end of 1993. Cap Gemini, up FFr6.20 at FFr196.20, said after hours that it planned [illegible] FFr424m through [illegible] rights issue [illegible] FFr140 a share.

Crédit Foncier de France, the banking group, climbed FFr37 to FFr1,211 after a better than expected [illegible] per [illegible] increase in [illegible] net profit. On the downside, CarnaudMetalbox lost FFr6.80 [illegible] FFr180.50 with its 1993 profits 14 [illegible] cent lower.

Oil stocks remained buoyant, Elf Aquitaine gaining another FFr3.10 to FFr397.50 [illegible] FFr6.00 to [illegible]

MADRID [illegible] early gains [illegible] York opened, and [illegible] general index closed just [illegible] higher at [illegible] in turn[illegible] Subjects of recent, and *not-so-recent* equity placings were active. FCC, [illegible] construction stock, [illegible] its [illegible] low with [illegible] fall of Pta200 to Pta15,320 and Acerinox, the metals company, registered a new high [illegible] Pta13,980, up Pta630 on a large buy order, and on positive fore[illegible] for [illegible] company.

AMSTERDAM [illegible] little enthusiasm, with [illegible] closing [illegible] just 0.18 at 412.99.

Among [illegible] Grolsch, [illegible] brewer, picked up Fl 1.50 [illegible] Fl 51.00 in spite [illegible] firmly denying [illegible] rumours.

ATHENS [illegible] 1.1 per cent [illegible] government plans for [illegible] per [illegible] dividends from mutual and [illegible] funds, [illegible] general [illegible] closing 11.24 [illegible] at [illegible]

[illegible] edited by William Cochrane, John Pitt and Michael [illegible]

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Apr 7 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
[illegible] 100	[illegible]	1450.01	1450.44	1454.15	[illegible]	1459.31	[illegible]	1452.70
[illegible]	1468.77	1469.33	1470.99	1473.83	[illegible]	[illegible]	[illegible]	1475.47

	Apr 6	Apr 5	[illegible]	Mar 30	Mar 29
FT-SE Eurotrack 100	[illegible]	[illegible]	1418.70	[illegible]	[illegible]
FT-SE Eurotrack 200	146[illegible]	[illegible]	1440.06	1446.58	1452.67

Base 1000 (26/10/90); Highday: 100 - 1460.47; 200 - 1479.17 Lowday: 100 - 1449.42 200 - 1468.77

ASIA PACIFIC

Hong Kong firms, Nikkei gains 1%

Tokyo

Share prices moved within [illegible] narrow range on small-lot [illegible]trage trading [illegible] closing higher [illegible] *late* foreign buying, *writes* [illegible] *Terazono* [illegible] *Tokyo.*

The Nikkei 225 index rose 194.24, [illegible] 1 per cent, [illegible] 19,890.98, having fluctuated between 19,587.72 and 19,946.09. In [illegible] afternoon, buying by [illegible] investors of [illegible] as textiles and [illegible] index. Arbitrage buying ahead [illegible] Friday's options [illegible] supported [illegible].

Traders said individual [illegible] in small-capital stocks on [illegible] second [illegible]tion and over-the-counter [illegible]ket. The second section [illegible] 9.74 [illegible] 2,241.99 on heavy vol[illegible] of 20m shares, while [illegible] OTC market gained 9.15 [illegible] 1,828.86.

Volume was [illegible] shares against [illegible] The Topix [illegible] of all first section stocks [illegible] 1,613.19 while the Nikkei 300 gained 2.55 to 295.54. [illegible] led losers by [illegible] with 153 issues remaining unchanged. In London, the ISE/Nikkei 50 [illegible] fell [illegible] 1,318.58.

Textile [illegible] higher on [illegible] buying by foreign investors. Toray Industries [illegible] to Y700 and Mitsubishi Rayon gained [illegible] to [illegible]

[illegible] Matsushima, [illegible] distributor, [illegible] Y670 on short term buying by individu[illegible] and brokers. Sumitomo [illegible] Mining, [illegible] day's [illegible] issue, [illegible]

Hopes [illegible] in [illegible] confidence supported some [illegible] gained [illegible] Y17 [illegible] Y1,010.

[illegible] were also firmer [illegible] signs [illegible] rebound in US [illegible] sales. Toyota [illegible] rose Y10 to Y2,000 and [illegible] Motor [illegible] Y1,690.

Nippon Telegraph [illegible] Telephone initially declined [illegible] continued profit-taking but closed unchanged at [illegible] on later support.

Fuji Photo Film fell Y40 to Y2,090 [illegible] selling by [illegible] investors. The company is expected [illegible] face increasing competition from private label photo film companies which are [illegible] by retailers.

Secom, the security systems [illegible] Y6,620 on rumours [illegible] purifiers [illegible]

In Osaka, [illegible] OSE [illegible] rose 12.71 [illegible] 21,976.50 [illegible] vol[illegible] of [illegible] stocks, regarded as lagging the index, gained ground, with Dai[illegible] up Y17 [illegible]

Roundup

[illegible] region [illegible] trading.

HONG KONG reversed early [illegible] finish higher, supported by a [illegible] round [illegible] bargain hunting, although turnover [illegible] light with [illegible] investors unwilling to [illegible]

[illegible] Seng [illegible] closed [illegible] higher [illegible] having [illegible] points lower [illegible] midsession. Turnover was [illegible] scant HK$2.9bn compared with [illegible] on Wednesday.

The late bargain-hunting [illegible] on blue chip property and banking shares. Henderson Land [illegible] HK$1.50 [illegible] HK$43.50, Cheung Kong added [illegible] and SHK Properties ended [illegible] cents higher [illegible] HK$54. Hang Seng Bank gained [illegible] HK$51.50, while parent [illegible] Holdings [illegible] up 50 [illegible] to [illegible]

KUALA LUMPUR shares were broadly lower in [illegible] trading although gains by Tenaga Nasional and Telekom Malaysia, pushed [illegible] composite [illegible] higher to [illegible]

Tenaga [illegible] to [illegible] while Telekom rose 20 [illegible] M$18.60. Together, they represent almost 40 per [illegible] index.

SEOUL [illegible] profit-taking wiped [illegible] early gains [illegible] improved slightly. [illegible] composite index [illegible] 0.32 [illegible]

Construction companies, [illegible] in [illegible] morning shortly after the government's announcement that it would increase the limit on support loans extended to domestic contractors working on overseas construction projects, succumbed to subsequent profit taking.

SINGAPORE closed lower after Wall Street's weak overnight gain failed to spur local buying. The Straits Times Industrials index closed 9.04 lower at 2,106.53.

AUSTRALIA edged higher during the afternoon to close firmer in a day of consolidation. The All Ordinaries index slipped to 2077.8 in the morning before working its way up to 2087.4, a rise of 3.3 points.

Woodside Petroleum continued to be firm, having added 15 cents on Wednesday the shares gained a [illegible] cents to A$4.31.

Elsewhere, Brambles Industries added [illegible] cents [illegible]

BANGKOK saw a technical rebound which took the SET index up 22.79 or 1.9 per cent to 1,224.74 in increased turnover of Bt4.2bn. Finance and banking sectors led the market higher with the only the food sector losing ground.

First Asia Securities topped the active list, shedding Bt12 to [illegible] after 40m newly-issued shares were listed. New listing Nithipat gained Bt7 to [illegible] and Bangkok Bank was [illegible] Bt4 at Bt159.

MANILA lost ground following [illegible] 3 [illegible] cent slide in the shares [illegible] heavily weighted Philippine Long Distance [illegible]phone which [illegible]

The composite index [illegible] to [illegible] turnover of [illegible]

[illegible] moved sharply higher [illegible] heavy buying by [illegible] investors in the [illegible] synthetics and [illegible]

The [illegible] 100-share [illegible] gained 38.12 [illegible] 1.6 per cent to 2,471.02.

S.Africa in search of direction

South [illegible] their [illegible] ing [illegible] clouded [illegible] thin trade, according [illegible] reports [illegible]burg.

Lack of real [illegible] from [illegible] equities [illegible] sentiment, which was also under pressure from political fears in advance of the multi-racial elections from April 26, they said.

The overall index finished nine points lower at 4,858, the [illegible] index shed [illegible] 1,912 and the [illegible] index fell 17 to 5,617. Shares edged higher in early trade as they [illegible] belatedly to recent gains on Wall Street and a firmer London market.

Golds made early gains on the back of commercial rand weakness and ended largely unchanged as bullion fell.

Anglos added 50 cents to R196.50, De Beers rose R1.25 to R102.75 and Richemont collected 75 cents to R43.

FT-ACTUARIES WORLD INDICES QUARTERLY VALUATION

The market capitalisation of the national and regional markets of the FT-Actuaries World Indices as at MARCH 31, 1994 are expressed below in millions of US dollars and as a percentage of the World Index. Similar figures are provided for the preceding quarter. The percentage change for each US dollar index value since the end of the calendar year is also provided.

NATIONAL AND REGIONAL MARKETS (number of lines of stock)	Market cap. as at 31/03/94 [illegible]	% of [illegible] Index	Market cap. as at 31/12/93 (US$m)	% of World Index	% chge in $ index [illegible]
Australia (69)	134650.5	1.51	136946.5	1.55	[illegible]
Austria (17)	12631.5	0.14	12909.3	0.15	-2.15
[illegible]	61722.7	0.69	60368.2	0.68	2.05
Canada (107)	148114.6	1.66	152670.6	1.73	-4.02
Denmark (32)	32367.9	0.36	30016.0	0.34	7.04
[illegible]	19736.0	0.22	16491.1	0.19	15.27
France (98)	304744.1	3.42	312093.4	3.54	-3.16
Germany (59)	323195.6	3.63	327430.2	3.71	-2.14
Hong Kong (56)	187775.0	2.11	241602.4	2.74	-23.44
Ireland (14)	12398.3	0.14	12231.9	0.14	-1.97
Italy (59)	139835.2	1.57	102478.4	1.16	27.12
Japan (469)	2651215.3	29.74	2270641.5	25.75	16.58
Malaysia (98)	70768.0	0.79	94656.3	1.07	-25.44
Mexico (18)	74888.4	0.84	88987.3	1.01	-14.07
Netherland (26)	157746.7	1.77	158694.2	1.80	-1.97
New Zealand (14)	16194.1	0.18	17105.2	0.19	-7.38
Norway (23)	9412.6	0.11	8711.9	0.10	7.76
Singapore (45)	44232.8	0.50	47952.1	0.54	-17.15
South Africa (60)	90190.4	1.01	104745.5	1.19	-12.74
Spain (42)	82604.5	0.93	82045.1	0.93	0.64
Sweden (36)	74096.7	0.83	70874.2	0.80	4.55
Switzerland (49)	219037.9	2.46	213181.1	2.42	1.12
United Kingdom (218)	851809.0	9.56	923516.2	10.47	-8.15
USA (519)	3193920.8	35.83	3332434.4	37.79	-4.36
EUROPE (744)	2301257.6	25.82	2331239.1	26.43	-2.29
Nordic (113)	135632.2	1.52	126093.2	1.43	6.79
Pacific Basin (722)	3104835.7	34.83	2809108.0	31.85	9.98
Euro-Pacific (1466)	5406093.3	60.65	5140345.1	58.29	4.41
North America (626)	3342035.6	37.50	3485105.0	39.52	-4.34
Europe Ex. UK (529)	1449648.6	16.26	1407722.9	15.96	1.52
Pacific Ex. Japan (253)	453620.4	5.09	538264.5	6.10	-17.44
World Ex. US (1651)	5719286.9	64.17	5486748.5	62.21	3.56
World Ex. UK (1955)	8061598.8	90.45	7895666.6	89.53	1.69
World Ex. So. Af. (2110)	8823017.3	98.99	8714437.3	98.81	0.73
World Ex. Japan (1701)	6261992.5	70.26	6548341.3	74.25	-4.96
The World Index (2170)	8913207.8	100.00	8819182.8	100.00	0.57

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	[illegible] APRIL 6 1994 US Dollar Index	Day's Change %	Pound [illegible] Index	[illegible] Index	DM Index	Local Currency Index	Local % chg on day	[illegible]	TUESDAY APRIL 5 1994 US [illegible]	Pound [illegible] Index	[illegible] Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week [illegible]	Year ago [illegible]
Australia (69)	166.24	2.1	167.92	109.89	148.22	156.73	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	130.19	136.37
Austria (17)	176.25	0.1	178.03	[illegible]	157.15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	142.34
Belgium (42)	161.66	-0.2	[illegible]	[illegible]	144.16	[illegible]	0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	171.69	[illegible]	[illegible]
Canada (106)	129.93	1.4	[illegible]	[illegible]	[illegible]	[illegible]	1.2	2.58	[illegible]	129.73	[illegible]	[illegible]	128.47	[illegible]	[illegible]	122.72
Denmark (32)	257.36	0.3	258.97	170.13	229.47	235.30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	205.69	206.61
Finland (22)	140.85	3.2	[illegible]	93.17	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	80.71	80.71
France (98)	168.95	0.6	170.65	111.68	150.64	[illegible]	1.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	162.88
Germany (58)	136.83	1.0	138.21	90.45	[illegible]	122.00	[illegible]	1.71	135.43	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	107.59	113.88
Hong Kong (56)	361.63	1.9	365.49	[illegible]	340.26	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	253.75
Ireland (14)	181.06	2.0	[illegible]	[illegible]	[illegible]	[illegible]	1.9	[illegible]	[illegible]	[illegible]	116.44	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy (60)	84.95	-0.9	[illegible]	[illegible]	[illegible]	[illegible]	-0.1	1.65	[illegible]	86.86	[illegible]	76.11	[illegible]	87.19	57.07	57.07
Japan (469)	152.94	-0.1	[illegible]	[illegible]	136.37	101.10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	124.54	134.18
Malaysia (98)	444.24	2.0	[illegible]	[illegible]	[illegible]	[illegible]	2.1	1.25	[illegible]	[illegible]	[illegible]	[illegible]	451.19	621.63	291.15	291.15
Mexico (18)	1912.73	-0.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1711.39	[illegible]	[illegible]	[illegible]	1625.48
Netherland (26)	194.24	1.5	196.20	[illegible]	173.19	[illegible]	2.1	3.30	[illegible]	193.75	[illegible]	[illegible]	187.17	[illegible]	163.30	169.32
New Zealand (14)	65.06	4.8	65.72	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	58.42	[illegible]	[illegible]	[illegible]
Norway (23)	190.31	-0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	206.42	150.61	[illegible]
Singapore (44)	312.58	2.6	315.74	[illegible]	278.71	[illegible]	[illegible]	1.72	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	228.08	230.82
South Africa (60)	226.86	0.1	[illegible]	[illegible]	[illegible]	[illegible]	0.0	[illegible]	[illegible]	229.55	[illegible]	[illegible]	[illegible]	280.26	161.99	178.48
Spain (42)	139.57	0.8	140.98	[illegible]	[illegible]	[illegible]	1.3	4.04	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	116.33	[illegible]
Sweden (36)	212.04	3.5	214.18	[illegible]	[illegible]	[illegible]	[illegible]	1.57	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	230.02	159.40	161.46
Switzerland (49)	159.33	0.1	[illegible]	[illegible]	[illegible]	143.16	[illegible]	1.87	[illegible]	[illegible]	[illegible]	141.27	[illegible]	176.56	117.90	118.46
United Kingdom (205)	168.79	0.6	[illegible]	[illegible]	[illegible]	[illegible]	0.5	3.85	[illegible]	[illegible]	[illegible]	166.28	[illegible]	[illegible]	170.32	173.19
USA (513)	182.76	0.0	[illegible]	[illegible]	162.96	182.76	0.0	2.90	[illegible]	185.15	[illegible]	[illegible]	[illegible]	195.04	176.91	[illegible]
EUROPE (724)	164.96	0.6	[illegible]	[illegible]	[illegible]	[illegible]	1.0	2.92	163.70	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	143.06
Nordic (113)	204.15	2.4	206.22	[illegible]	[illegible]	209.79	2.4	[illegible]	199.34	[illegible]	[illegible]	[illegible]	204.92	220.60	[illegible]	152.86
Pacific Basin (750)	161.09	0.3	[illegible]	[illegible]	[illegible]	111.00	[illegible]	[illegible]	160.67	[illegible]	[illegible]	[illegible]	[illegible]	166.80	134.79	137.76
Euro-Pacific (1474)	162.55	0.5	[illegible]	[illegible]	[illegible]	[illegible]	1.0	[illegible]	161.78	[illegible]	[illegible]	[illegible]	129.63	[illegible]	139.82	[illegible]
North America (625)	179.48	0.1	[illegible]	[illegible]	160.03	[illegible]	0.0	[illegible]	179.40	[illegible]	117.65	[illegible]	179.04	192.73	173.70	176.47
Europe Ex. UK (519)	148.41	0.8	149.91	[illegible]	[illegible]	[illegible]	1.3	2.35	[illegible]	149.17	96.56	[illegible]	[illegible]	[illegible]	122.37	124.26
Pacific Ex. Japan (281)	241.26	2.1	243.70	[illegible]	215.12	[illegible]	2.1	[illegible]	[illegible]	239.32	[illegible]	209.69	[illegible]	295.21	172.89	173.19
World Ex. US (1658)	163.29	0.5	[illegible]	107.94	[illegible]	132.92	[illegible]	1.67	162.52	[illegible]	[illegible]	[illegible]	131.60	172.51	[illegible]	140.56
World Ex. UK (1972)	166.83	0.2	168.52	110.28	148.75	[illegible]	0.6	[illegible]	[illegible]	[illegible]	109.13	[illegible]	[illegible]	[illegible]	150.88	150.88
World Ex. So. Af. (2117)	168.47	0.3	170.17	111.36	150.21	147.74	[illegible]	[illegible]	[illegible]	[illegible]	110.15	[illegible]	[illegible]	178.56	152.78	152.78
World Ex. Japan (1708)	179.17	0.5	180.96	[illegible]	159.75	[illegible]	[illegible]	[illegible]	178.36	[illegible]	116.96	[illegible]	175.17	195.20	[illegible]	164.42
The World Index (2177)	168.78	[illegible]	170.48	111.57	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	178.97	152.85	152.85

Latest prices were unavailable for this edition. Market closed 6/4/94: South Africa.

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FINANCIAL TIMES SURVEY

PAINTS AND THE ENVIRONMENT

Friday April 8 1994

Paint protects much of the modern world against the environment and adds colour to life, but is [illegible] an environmental problem. Paintmakers have already responded, but eco-friendlier coatings are not always better – and their cost may be more than buyers will be willing to pay, writes **Ian Hamilton Fazey**

Producers in compliance – at a price

There is a [illegible] assertiveness about the environment in the paint industry. Four years ago there was palpable fear at the industry's conferences about what tighter environmental controls were going to do to profitability and, in some cases, survival. Today, the industry is fighting back.

It is not that the industry is full of companies bent on profit at the cost of pollution. Rather, its most reputable members have spent millions on compliance with new laws, and in developing new and greener products.

They are now looking for compromise in an age of politicised environmentalism, when the goal posts have tended to be moved farther away as industry has achieved new standards demanded of it.

As gains get more expensive as you go on, is there a point where enough has been done for most practical purposes? The greenest possible paint may well cost more than anyone can afford.

Dr Manfred Hopp, head of BASF Lacke & Farben, Germany's biggest paintmaker, [illegible] "We [illegible] squeezed [illegible] laws. [illegible] law of the land, which imposes ever-stricter environmental [illegible] increasing [illegible] Then [illegible] law of supply [illegible] demand, [illegible] what [illegible] willing to [illegible]

"If our customers will not pay more – and they won't, especially in a recession – something has to give. So we have to make savings in costs. This means using more technology and fewer people. It means lost jobs. This is one of the costs of environmental control which people have yet to fully realise."

In BASF's case, it was 300 jobs in Germany last year, on top of DM30m on environmental compliance in the last three years and DM250m in the last ten. Dr Hopp says: "None of this spending has made us more profitable, but it has been necessary for survival. There is no choice if you want to go on operating. It's to be or not to be."

Given that paint factories themselves are tightly controlled, the main pollution issue [illegible] the industry is [illegible] of [illegible] organic compounds (VOCs) [illegible] solvents [illegible] in paint [illegible] rate.

Pollution [illegible] by [illegible] paint industry, [illegible] Is the [illegible] there[illegible] customers' keeper? Competitive paintmakers [illegible] they [illegible] is faced with [illegible] comply with anti-pollution laws, [illegible] environmentally-friendly product [illegible] the [illegible] to have [illegible] edge in [illegible] market.

VOC [illegible] are being rightly [illegible] they [illegible] in sunlight [illegible] some of [illegible] rain [illegible] The paint industry's [illegible] develop [illegible] coatings or put more [illegible] – pigments and [illegible] – in the [illegible]

[illegible] for [illegible] emul[illegible] indoors on walls and ceilings, [illegible] not necessarily [illegible] 'VOC-free' – "green equals reduction, [illegible] elimination," [illegible] Mr [illegible] Watters, vice-pres[illegible] of [illegible] paintmaker, PPG.

Mr Herman Scopes, [illegible] of [illegible] Paints, explains: "Water [illegible] solvent for paint. Customers' concerns are always with prices and value for money. They are not interested in paying a premium just because something is environmentally friendly. That is a bonus. The product has to be good in its own right. You will only sell it if it does the job."

Mr John Bernie, director of the industry-funded but independent Paint Research Association, says inferior performance has been the bane of water-based paints.

Some can be vulnerable to wet weather. Most do not last as long, requiring earlier repainting of the surfaces they are supposed to protect. In contrast, VOC solvents help the film spread and not sag or flocculate, while producing a protective gloss water cannot usually achieve. Paint companies have nevertheless solved many of the problems, greatly reducing VOC content of most paints. In ICI's case, research started 15 years ago. Mr Scopes claims its star product, which it developed for painting cars during manufacture and has now redesigned for repairing automotive coatings, is still the most technically advanced, although all competitors offer 'me too' versions.

Ms Moira McMillan, director of the British Coatings Federation, says the UK government's target of reducing VOC emissions by 30 per cent by 1998 is fine in big markets like automotive paints, but difficult for medium-sized engineering companies with correspondingly-sized paint shops. They will rely on their suppliers for compliant coatings.

Paintmakers such as Kemira of Finland, Beckers of Sweden and Akzo Nobel, which became the world's largest paint company when the Netherlands and Scandinavian coatings businesses merged in November, have all spent large sums [illegible] paints [illegible] buying rights to the technology.

[illegible] growth – which they need to get their money back – will depend [illegible] customers' [illegible] to change, [illegible] Mr Neville Petersen, the new chief [illegible] Coatings, [illegible] confirms that "a lot of customers are saying until we have to change our systems, we are not going to. That's fine, but we have to be ready for it when it happens, [illegible] it means spending a lot of money up front."

In Courtaulds [illegible], the bill this year will include £36m for a new European resins development and manufacturing plant at Silvertown, in London.

Ironically, therefore, the industry [illegible] more regulation [illegible] growth of [illegible] compliant products, but worries if it can afford [illegible] go further. Dr Hopp [illegible] of stability are [illegible] industry to recoup [illegible] and development costs, rather than be expected to keep breaking [illegible] ground.

[illegible] Louis McCulloch, [illegible] partner of [illegible] Consulting, an independent specialist on paint, [illegible] "There [illegible] danger in people getting [illegible] hung up on [illegible] when [illegible] addressing.

"Europe is in recession. [illegible] and [illegible] mounting [illegible] The environmental [illegible] a long-term [illegible] The immediate [illegible] is survival. I hope sense [illegible] prevailing. Environmental [illegible] important, [illegible] lost."

Dr Frank Rose, ICI's [illegible] and [illegible] expert on safety, says: "In the 1980s a [illegible] regulation [illegible] how to resist it. In the last few [illegible] industry [illegible] change.

"It's [illegible] big companies [illegible] ship, especially [illegible] people [illegible] being [illegible] putting [illegible] jobs."

Mr Herman [illegible] Karnebeen, [illegible] Nobel, thinks big companies suffer [illegible] they [illegible] targets [illegible] lators, [illegible] small paint companies [illegible] often [illegible] the [illegible] by local [illegible] fearful about jobs being [illegible] if they shut [illegible]

Large German paint companies have encountered similar prejudice, with small operators [illegible] leniently on the orders [illegible] local political [illegible] fear [illegible]

Mr Karnebeen [illegible] "The industry should set [illegible] policing [illegible] to [illegible] organised on a European [illegible] companies [illegible] leverage [illegible] supplies. Suppliers [illegible] also take [illegible] responsible position."

Herman van Karnebeen

Dr Manfred Hopp of BASF Lacke & Farben: "Something has to give"

He [illegible] harmonised, [illegible] standards [illegible] enforcement. This [illegible] already [illegible] problem in Britain, [illegible] Ms McMillan, [illegible] local authorities interpret the [illegible] criteria differently against identical plant.

Harmonisation in timing [illegible] also [illegible] Mr Roger Walters, [illegible] Euramax, [illegible] UK [illegible] coater, [illegible] to [illegible] VOC [illegible] EU [illegible] will [illegible] premature [illegible] in [illegible] technology, giving EU competitors an edge [illegible] current [illegible] of [illegible] lower-energy catalytic conversion system prove viable.

The question is whether the industry's new assertiveness – and its record of improvement – will help carry such arguments.

□ Paint markets and suppliers, Pages 2 to 5.
□ Industry trends, Page 5.
□ Product research, Page 6.

■ THE DECORATIVE MARKET

A question of balance

Since 55 per cent of all paint sold [illegible] on walls, ceilings, doors, window frames, skirting boards and masonry, they are bound to have a significant impact on the environment.

This – the decorative market – is itself divided into two large segments – do-it-yourself paints people buy increasingly [illegible] retail sheds; and trade paint [illegible] from specialised cen[illegible] to professional decorators.

Sales [illegible] large. ICI [illegible] the European DIY market at about [illegible] litres a year. Britain leads with [illegible] [illegible] – inevitably, when businesses [illegible] as B&Q, [illegible] Homecare, and Do-It-All have developed the [illegible]cept of the retail shed more intensively than anywhere else. Germany follows with 151m litres, then Italy with 150m litres and France with 89m litres.

The relative size [illegible] the trade and DIY segments is illustrated by Akzo Nobel's figures for decorative sales overall, which make France the biggest [illegible] with nearly 570m litres in both segments combined. Germany [illegible] second with [illegible] [illegible] 440m, [illegible] by Britain with more than 400m and Italy [illegible] 375m.

The split matters because different solutions [illegible] environmental [illegible] [illegible] being demanded [illegible] applied in each market segment. The [illegible] in the marketplace [illegible] [illegible] becoming marked in Germany, Europe's largest environmentally-conscious national market.

Environmentally friendly paints have made significant impact in German consumer DIY markets, but their impact has been poor among professional decorators, according [illegible] Mr Chris Joyce, technical [illegible]ager for ICI's decorative products in Europe.

"These types of product were launched in Germany 10 years ago and they [illegible] have between [illegible] and 30 per cent [illegible] the national retail market. But they haven't got anywhere in the German trade market because of price and difficulties in guaranteeing quality of work," he says.

The problem [illegible] [illegible] [illegible] more environmentally friendly decorative paints become, the higher their price, while performance declines. The right balance has yet [illegible] be struck – and professional decorators are refusing to adopt products that demand return visits to put work right, [illegible] which do not last long enough to satisfy their customers.

Since few decorative paints [illegible] [illegible] – and these [illegible] be bought in DIY markets – the main area of environmental [illegible] is emission [illegible] [illegible] organic compounds (VOCs) used [illegible] solvent.

"We cannot control how mil[illegible] [illegible] people use [illegible] paint," Mr Joyce [illegible] "All the paint we [illegible] evaporates. Although the VOC emission from decorative paints is only [illegible] [illegible] [illegible] [illegible] [illegible] emissions, [illegible] sell [illegible] lot of decorative paints, so none [illegible] [illegible] can [illegible] back complacently and do nothing."

The problem [illegible] [illegible] [illegible] for paints [illegible] on [illegible] and ceilings than for the gloss paints needed on woodwork. The former now nearly all [illegible] water as their principal solvent. Germany already insists that [illegible] paints [illegible] internal [illegible] should [illegible] no VOC solvents, while ICI [illegible] already eliminated [illegible] from its DIY products.

Professional decorators, however, prefer [illegible] [illegible] [illegible] [illegible] [illegible] formulation [illegible] help [illegible] paint spread smoothly [illegible] dry to [illegible] [illegible] finish. Indeed, VOC solvents are essential in gloss paints if they are to have the properties of shine [illegible] durability people expect.

Traditionally, VOC solvents accounted for 70 per [illegible] [illegible] [illegible] gloss paint's formulation. Reducing requires [illegible] pigment in the paint, [illegible] [illegible] mix [illegible] water and VOCs [illegible] solvent, [illegible] [illegible] combination of both. Getting it down to [illegible] per cent will qualify for eco-labelling when standards [illegible] finally introduced.

This, however, will [illegible] do. Mr Joyce points out [illegible] in Austria, the maximum permit[illegible] VOC solvent level will [illegible] 10 per cent from next year. This [illegible] [illegible] [illegible] per [illegible] [illegible] industry thinks [illegible] [illegible] aim for by 2000 – "the danger is an imposed solution. [illegible] need [illegible] [illegible] pro-active [illegible] an industry. Europe should also try to move [illegible] together," he says.

One idea is [illegible] [illegible] system, with general agreement to reduce in discrete [illegible] [illegible] two-year intervals. This would phase the pain, especially since the new coatings [illegible] push up prices by 50 per cent.

This phased approach [illegible] also be [illegible] to carry pub[illegible] opinion. Mr Chris Harris, general [illegible] [illegible] ICI's UK and Ireland decorative business, [illegible] "Every time [illegible] offer alternatives, there [illegible] [illegible] [illegible] off [illegible] performance and price. People [illegible] very concerned [illegible] the environment until they have [illegible] pay. Only [illegible] [illegible] [illegible] [illegible] [illegible] prepared [illegible] [illegible] more or [illegible] quality for [illegible] environment."

He [illegible] [illegible] [illegible] is another argument [illegible] paint and the environment which [illegible] [illegible] [illegible] vigorously [illegible].

"[illegible] protects [illegible] and maintains [illegible] [illegible] [illegible] buildings, which in turn [illegible] a contribution to sustaining [illegible]. Paint is about protection from decay. [illegible] [illegible] the point [illegible] [illegible] that is [illegible] environmentally friendly it [illegible] more, [illegible] not perform well and needs repainting every [illegible] [illegible] instead [illegible] four?" [illegible] [illegible].

There [illegible] [illegible] that [illegible] bal[illegible] [illegible] beginning [illegible] [illegible] [illegible] with [illegible] local authori[illegible] – [illegible] of them [illegible] buyers [illegible] [illegible] paints – rethinking previous decisions to "go waterborne" as ensuing main[illegible] [illegible] have [illegible].

The conservationary [illegible] [illegible] paint [illegible] [illegible] becoming more [illegible] all [illegible] [illegible]. Concrete tower blocks of coun[illegible] housing – which had become hideously disfigured by [illegible] rain, stains, corrosion of reinformcement bars, mould [illegible] decay – have in recent [illegible] been [illegible] by [illegible] masonry paints designed to protect [illegible] [illegible] repair.

[illegible] colour schemes has [illegible] broken [illegible] the [illegible] outlines [illegible] [illegible] [illegible] [illegible] [illegible] them [illegible] [illegible] happily in [illegible] visual environment. If these coatings had been waterbased, they would have been [illegible] off in [illegible] winter's torrential rains.

Ian Hamilton Fazey

When the Wastewagon started rolling round Leeds in 1992, it set in train [illegible] new approach [illegible] dealing with [illegible] paint. It toured designated districts collecting paint [illegible] people had finished with – and [illegible] paint still in them, *writes Ian Hamilton Fazey*.

The Wastewagon – a Ford Iveco van with [illegible] tail-lift – was sponsored by ICI. Backing also came from [illegible] the DIY retail shed group; UK 2000, the clean-up-Britain charity; and [illegible] city council. Monetary [illegible] were only £4,500, but the more valuable help came in kind – people and resources.

The experiment [illegible] a test of whether it was sensible [illegible] try and systematically [illegible] [illegible] paint and do something worthwhile with it. Success was [illegible] last week when Leeds officially opened [illegible] permanent "paint exchange" [illegible]tem.

Ealing, [illegible] London borough, brought in consultants from [illegible] Leeds experiment and started [illegible] similar scheme last autumn.

The Wastewagon, however, [illegible] no more. This proved a costly and inefficient method [illegible] collecting [illegible]. It was [illegible] [illegible] [illegible] provide collection points where people [illegible] dispose [illegible] [illegible] [illegible].

What the experiment proved was [illegible] there [illegible] now [illegible] sub[illegible] amount of [illegible] paint in most people's [illegible].

■ DISPOSAL OF WASTE

Increasing sensitivity

Ms Isobel Howe, research consultant [illegible] Swap – Save Waste and Prosper, a not-for-profit [illegible] which did the experiment, [illegible] this amounted to [illegible] per cent [illegible] [illegible] [illegible] and came [illegible] about 750 litres.

But who would want to re[illegible] [illegible]? Charities, [illegible] [illegible] [illegible] – "more than enough recipi[illegible] were [illegible] to [illegible] all the collected paint, with demand far exceeding supply. It was quite [illegible] [illegible] permanent scheme would [illegible] no problem finding plenty of takers, given [illegible] right links to social [illegible] [illegible] departments [illegible] the voluntary sector."

Paint tins and packaging items are recycled at ICI Paint's Stowmarket plant, using an Orwak baler; dry waste has been cut by 59 per cent

M[illegible] people [illegible] [illegible] paint in their homes. [illegible] cans with paint still in them are [illegible] in cellars, box rooms, cupboards [illegible] [illegible]. When they [illegible] thrown out, it is usually [illegible] the [illegible] rubbish – [illegible] [illegible] after paint [illegible] [illegible] still liquid [illegible] been poured [illegible] the drain.

[illegible] [illegible] now [illegible] up "paint banks" [illegible] three municipal [illegible] dumping [illegible]. [illegible] has [illegible] skips – one [illegible] empty tin cans, [illegible] for [illegible] plastic [illegible] [illegible] [illegible] [illegible] containers with paint still in them. Empty tins cans go for recycling, as do those of the plastic variety which are suitable. Containers with small quantities of paint that has solidified are classed as empties. They are shredded prior to recycling and the waste paint can be collected as it fragments.

The skip for liquid, possibly re-usable paint, has racks to keep containers upright when the skip is moved. Sorting is at a community training base by a workforce undergoing youth training, in effect giving them a proper project to learn on. What cannot be re-used goes for recovery and recycling – or safe disposal if it so old it contains now-banned toxic ingredients like lead.

A stocklist system will [illegible] incoming [illegible] are [illegible] by volume, manufacturer, colour, [illegible] and re-usability. This could come into its own if other local authori[illegible] follow the [illegible] and Ealing [illegible] with [illegible] [illegible] [illegible] second-hand paint [illegible] for charities and community projects. [illegible] is likely to become an increasingly important [illegible] if [illegible] [illegible] pro[illegible] [illegible] public [illegible] [illegible] [illegible] raised.

This could [illegible] rebound [illegible] paint manufacturers. Little [illegible] [illegible] paid to [illegible] disposal in the past. Indeed, on the basis of "the polluter pays," who is responsible [illegible] waste decorative paint? Is not the customer, the person disposing [illegible] unwanted paint or empty containers, the polluter?

But with the ownership of decorative paint production now concentrating into fewer large groups – all of them more vulnerable to public opinion than an industry in fragmented ownership – sensitivity is increasing.

"Waste paint [illegible] not [illegible] much a hazard as [illegible] nuisance," [illegible] Mr Chris Joyce, ICI's technical [illegible] [illegible] decorative products in Europe. "[illegible] need [illegible] get together with everyone concerned and find the right approach."

The industry is setting up [illegible] group [illegible] run further pilot projects [illegible] the Leeds lines to encourage [illegible] public [illegible] banks and systems to manage them. Education is [illegible] part [illegible] [illegible] process, [illegible] Mr Joyce, starting with not over-buying in the place through better calculation of how much paint might [illegible] [illegible] [illegible] [illegible] job.

Companies wanting [illegible] improve [illegible] [illegible] management could start with [illegible] simple DIY training manual published by Athena Training International [illegible] [illegible] [illegible] [illegible] from [illegible] Paints. [illegible] aim is to change people's attitudes [illegible] [illegible] – [illegible] producing less [illegible] it, [illegible] managing and disposing [illegible] it better.

■ COIL COATING

Process has environmental benefits

O[illegible] type [illegible] industrialised [illegible] painting has been growing [illegible] for [illegible] the last 15 years, in spite of [illegible] emission [illegible] copious quantities [illegible] volatile organic compounds during [illegible] process, *writes Ian Hamilton Fazey*.

The process [illegible] called coil coating. Its environmental advantage [illegible] [illegible] it [illegible] manufacturers [illegible] get rid of their paint shops altogether. The [illegible] they want [illegible] bash [illegible] bend comes ready-painted with coatings so tough they remain undamaged during production.

Coil coated [illegible] [illegible] aluminium [illegible] now formed into hundreds [illegible] [illegible], from profiled cladding for buildings [illegible] [illegible] durables [illegible] refrigerators and washing machines, to teltronic products like [illegible] recorders and sound systems, [illegible] non-stick cookware [illegible] [illegible] for [illegible].

The [illegible] is largely [illegible]. A roll [illegible] [illegible] or aluminium – called [illegible] [illegible] – [illegible] unrolled and passed flat through pre-treatment [illegible] [illegible] clean [illegible] degrease it before being sprayed automatically with wet, solvent-borne paint.

The [illegible] strip then [illegible] through [illegible] [illegible] tunnel, [illegible] VOC [illegible] are driven and [illegible] mixture of [illegible] and pigments polymerise into some [illegible] [illegible] toughest paints ever [illegible] by chemists.

VOC emissions are not a problem [illegible] they are collected and [illegible]. The resultant [illegible] [illegible] then recycled [illegible] into the production [illegible] [illegible] help [illegible] the stoving, thus saving energy.

With all [illegible] potential for pollution [illegible] [illegible] place – including run-off of pre-treatment [illegible] – it [illegible] contained and [illegible] with efficiently.

C[illegible] [illegible] products [illegible]barged [illegible] [illegible] [illegible] initially [illegible] of [illegible] cost-savings from eliminating individual paint shops in [illegible] 1980-82 recession.

The cost [illegible] [illegible] remaining small shops of environmental [illegible] [illegible] now likely [illegible] provide [illegible] boost.

Mr Roger Walters, chief executive of Euramax and chairman of the UK Coil Coaters' Association says that "for virtually the whole of the 1980s, our industry was growing at 10 per cent a year.

"Since 65 per cent of the market is in the construction sector, there has been a slowdown in the recession, but things are still healthy."

Mr Peter Burling, who runs British Steel's thriving coil business is president of the European Coil Coaters, says "our products are perceived to be good for the environment.

"As legislation becomes tougher, in-house painting will become more costly. We expect to take more market share from traditional industrial paints."

Beckers, the [illegible] paintmaker, claims about 25 per [illegible] of European [illegible] markets.

Mr John Lyon, managing director of Beckers' UK [illegible], [illegible] [illegible] overall responsibility for coil, says "environmental compliance is an opportunity. Coil [illegible] all [illegible] problems away from the manufacturer of coated articles.

"[illegible] [illegible] involves [illegible] marriage [illegible] coater, pre-treatment specialist and paint supplier in which quality [illegible] consistency are more important than price. This makes it [illegible] [illegible] business [illegible] be in."

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■ MARKETS AND SUPPLIERS

Moving into sharper focus

W[illegible] Imperial Chemi[illegible] Industries pulled out [illegible] IDAC, a £50m joint venture in Germany with Du Pont, the US chemicals giant, in January, it [illegible] of three [illegible] finally defining th[illegible] *structure of the world's* paint industry, after 12 years of turmoil.

IDAC was [illegible] up in [illegible] to attack the £650m European *market for* painting cars on the assembly line – automotive OEM, or original equipment manufacture. The venture failed to reach the 20 per cent *market share ICI needed to jus*[illegible] staying in the market.

Another [illegible] the [illegible] [illegible] already deprived [illegible] seven-year-old title [illegible] world's biggest *paintmaker*: in November, Akzo of the Netherlands took [illegible] coatings business of [illegible] Sweden, astutely merging two portfolios of [illegible] little overlap between them.

Akzo, however, is not [illegible] by 'sizism,' [illegible] third event [illegible] European [illegible] business [illegible] PPG, [illegible] US-owned world market leader. Automotive *OEM* is now dominated in Europe by PPG, and the German paintmakers BASF and Herberts.

[illegible] and Akzo [illegible] are both strong in another [illegible] paints – [illegible] refinish, or VR, where ever-higher technology coatings are used for repairing damaged vehicles. Mr Louis McCulloch, senior partner of James Consulting, an independent specialist on the paint industry, says their exit from OEM was like slaughtering a sacred cow.

The two main pillars of the paint industry are the entirely separate markets of decorative and automotive paints. The former is a low technology, high volume cash generator; *the latter is a high technology* industrial market, where partnership and symbiotic technical services are essential between paintmakers, vehicle *manufacturers* and the *suppliers* of painting equipment.

Like Mr McCulloch, ICI's former OEM partner Du Pont, and OEM competitors like PPG, *BASF* and *Herberts*, all believe the OEM and VR markets are interdependent, if only to get car manufacturers to recommend specific companies' VR products as part of their anti-corrosion guarantees.

Mr Herman Scopes, chief executive of ICI Paints, disagrees: "Of the 10 top VR companies in the world, four – ICI, Akzo, Sherwin Williams and Rock Paint – do not have any OEM. The link is more perceived than real," he says.

[illegible] doubters say Sherwin Williams and Rock are each rooted [illegible] their large, respective home markets [illegible] the US and Japan – and were the exceptions proving [illegible] rule.

ICI [illegible] retort [illegible] the markets [illegible] entirely different. There is only a tiny number of car manufacturers worldwide, but thousands of body shops. Distribution, service, logistics and the ability to handle tens of thousands [illegible] small [illegible] efficiently [illegible] what count, as Sherwin Williams has proved in the US.

Companies like Akzo and ICI [illegible] used [illegible] transplanting [illegible]keting skills [illegible] decorative paints around [illegible] world and are [illegible] up [illegible] this, apart from *being good enough chemists to* [illegible] [illegible] guarantee [illegible] work, [illegible] coatings technology was originally involved.

The debate symbolises the [illegible] stage of evolution in paint markets. Even 15 years ago they were [illegible] largely national, with thousands of *companies. International* spread was mostly based on the history [illegible] European colonialism.

In the 1980s, ambitious suppliers *of* [illegible] realised they had to follow their customers as markets regionalised under political forces like European union, or *globalised under cost and efficiency* pressures, as in car manufacture or repainting ships.

Boats, trains, planes, cars and cans were all affected. A rush for territory and presence began, led by BASF of Germany and ICI of Britain. Others, such PPG of the US, which *had developed* [illegible] *most* [illegible]sion-resistant electro-coated system yet for car bodies, started buying their licensees abroad.

If you could not dominate territory, you occupied specific product *niches. Courtaulds*, which [illegible] the world marine coatings market, set a trend by occupying its niche on a global scale, followed by PPG in automotive [illegible]

Theirs has proved the best policy [illegible] they did [illegible] corporate indigestion as they grew by acquisition. Moreover, their research [illegible] on markets likely [illegible] yield early returns because [illegible] could introduce new products or technology without a fight.

[illegible] contrast, ICI developed Aquabase, [illegible] good [illegible] paint for automotive OEM, but could [illegible] dislodge entrenched *European competitors*, [illegible] though they were struggling to [illegible] up with "me-too" prod[illegible] Du Pont, [illegible] strong OEM and VR base in the US, will carry on alone.

Companies are refocusing on what they do best and where they can be in the top three in a world or regional market. *They have to: industrial buyers* are reducing numbers of suppliers – in the case of Ford, to one per factory.

So ICI has also sold its aero*space* [illegible] to Courtaulds, now a leading transportation coatings specialist. In the US, Akzo sold its aerospace business to Dexter, *but took over the latter's coil* coating interests, while the two formed a joint venture in aerospace in Europe.

ICI's *focus* is now on its Dulux brand of decorative paints, VR, and can coatings, where it is the US leader and strong in Europe against BASF.

Similarly, [illegible] Swedish-owned Beckers has strengthened in European coil coatings, but [illegible] powder coatings business [illegible] Herberts: each was separately strong in three [illegible] *four countries but neither had* enough volume; Herberts is now strong in powder in eight European countries and will become an increasingly important regional player.

[illegible] the same token, other companies [illegible] low-margin decorative coatings, [illegible] mass marketing is needed [illegible] sales [illegible] and reasonable profits. Hoechst [illegible] the trend here, selling Berger to [illegible] in the UK in the [illegible]. Similarly, Tikkurila [illegible] Finland sold Macpherson – Woolworth's paintmaker – [illegible] to con[illegible] on Kemira, [illegible] industrial coatings [illegible]

If economies of [illegible] *the* [illegible] prospects [illegible] dec[illegible] markets, [illegible] companies [illegible] placed [illegible] achieve them. ICI [illegible] a strong marketeer [illegible] premium [illegible] *painters*. [illegible] medium-[illegible] companies in [illegible] then [illegible] over [illegible] Nobel, which – [illegible] the UK – had already absorbed *Crown*, which had already absorbed Berger.

Other [illegible] decorative paint companies like John[illegible] *passed* [illegible] *French ownership*, [illegible] Total now [illegible] international player. Petrofina, [illegible] oil giant, [illegible] in [illegible] league through [illegible] Coatings.

Independents can survive, but they have to be very good, such as Kalon, [illegible] makes "own-label" paints for *DIY* retailers. Its [illegible] good logis[illegible] ensure just-in-time distribution.

Small can still be beautiful, but your niche must [illegible] unworthy [illegible] a giant's [illegible]tion, you will not [illegible] stamped on [illegible] An example is Carr's in Birmingham, [illegible] Wellburger, [illegible] UK subsidiary [illegible] medium-sized [illegible] Germany.

The latter's [illegible] are in teltronics – [illegible] mark-proof [illegible] for [illegible] video [illegible] cases – [illegible] high performance coatings [illegible]bles.

And the role of the environment *in all this? Not only does* compliance [illegible] green laws cost money, but also research and development time – and there is little direct return.

Companies can only afford to spend resources on markets where they have enough sales volume [illegible] margin [illegible] their "dead" [illegible] in the environment. Every company's [illegible] likely [illegible] tighten further yet.

Ian Hamilton Fazey

Arsenal Football Club's stadium, Highbury, north London: Johnstone's Paints protective coatings have been used to protect thousands of square metres of structural steel in the refurbishment of the stadium

Environmental issues are the driving force behind vehicle refinishing paint technology

The 'refinish' market at a crossroads

Producers of coatings for repairing the paintwork of cars and other vehicles [illegible] slow to adopt new technology, but they are now making up for it, [illegible] Christopher Mann reports here

For nearly 50 years from the mid-1930s, the UK crash repair market was dominated by cellulose paints. Nitro cellulose had been [illegible] to make explosives during the First World War. The development of cellulose [illegible] paints [illegible] motor vehicle production lines helped mop up spare capacity.

These spray paints deskilled traditional oil-based brush painting, were easy and forgiving to apply – and by the mid-1930s were widely available. They dried rapidly by solvent evaporation but because there [illegible] a high ratio of solvent [illegible] pigment, they needed a considerable number of coats [illegible] achieve an adequate paint film thickness.

Other countries, however, developed their [illegible] refinish paint technology. In the US, acrylic lacquers [illegible] developed in the 1950s; in Germany, restrictions on the production of nitro cellulose led [illegible] alkyd-based technology, the forerunner of today's refinish [illegible]ings. The latter's disadvantage was that the paint took too long to dry. Overcoming this

Christopher Mann, [illegible] that colour-matching systems are one [illegible] the refinish paintmaker's biggest financial commitments

spurred [illegible] development of 'two-pack' paints in Germany. These [illegible] a chemical hardener mixed in with [illegible] paint, prior to use. The paint cured through a combination of chemical reaction and solvent evaporation, aided by gentle heating, making [illegible] suitable for [illegible] on both production lines and body shops.

Also, because two-pack paints contained a higher proportion of pigment to solvent, [illegible] coats were [illegible] achieve the required paint film depth. In addition, unlike cellulose, rubbing down [illegible] was [illegible] required and a very high gloss finish was obtainable straight from the spraygun.

M[illegible], by adjusting the base material and hardener formulations, a variety [illegible] characteristics could be built in, such [illegible] temperature, colour integrity, solvent resistance, flexibility and smoothness of finish.

Correctly applied, these paints [illegible] capable of fully matching, if not exceeding, the quality [illegible] durability of production line finishes. The drawbacks [illegible] that they needed [illegible] environment of a spraybooth and [illegible] they generally contained iso[illegible], a respiratory sensitiser damaging [illegible] lungs, which made it necessary for painters to wear breathing apparatus. The new paints were also less forgiving [illegible] apply, requiring [illegible] quality spray-guns and [illegible] trained painters.

The changeover from cellu[illegible] to two-pack paints was therefore slow in some national markets, but by the end of [illegible] cellulose paints were becoming margin[illegible] in bodyshops, largely through pressure from [illegible] manufacturers who were [illegible] upon the use of approved two-pack paint systems if their anti-corrosion [illegible] to remain [illegible] place after accident repairs.

Until [illegible] there was very little [illegible] interest, in the environmental or health [illegible] safety implications [illegible] refinish paint applications, and consequently very little by way of legislation.

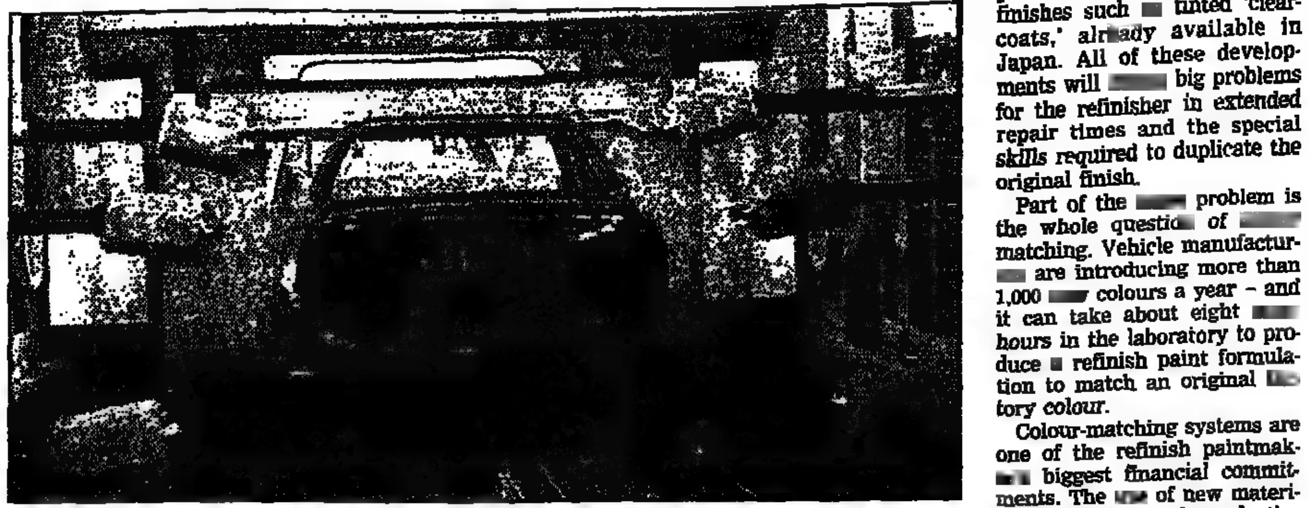
The impact of [illegible] issues in politics has changed this. Environmental legislation [illegible] the [illegible] significant force driv[illegible] refinish paint technology with paint manufacturers' research and development aimed primarily [illegible] meeting [illegible] more stringent legislation without compromising paint quality, durability or application efficiency.

Initial UK legislation affecting vehicle refinishing [illegible] Control [illegible] Substances Hazardous to Health regulations (COSHH) in 1988, f[illegible]d [illegible] recently by [illegible] Management [illegible] and Safety at Work Regulations – the MHSWR.

[illegible] put considerable pressure on vehicle manufacturers and refinishers [illegible] improve health and safety standards. These, together with the Environmental Protection Act – the EPA – which [illegible] in [illegible], have provided the UK with [illegible] of [illegible] most exacting anti-pollution legislation in [illegible] world.

The purpose of the EPA is to reduce and eventually eliminate the use [illegible] VOCs – volatile organic compounds [illegible] as solvents – in coatings. VOCs [illegible] under sunlight with [illegible] create low level ozone – photochemical [illegible] pollution which damages vegetation [illegible] can also cause breathing difficulties.

VOC emissions as paint [illegible] be controlled [illegible] by increasing the ratio of sol[illegible] solvent or by replacing some, or all, of the solvent with a harmless pigment carrier such as water.



[illegible] spinning [illegible] apply [illegible] in the paintshop at [illegible] techniques in car plants can pose problems later for the refinisher attempting to duplicate original finishes

Eighty cans a minute: 3.5 litre containers of automotive topcoat [illegible] paint [illegible] from a high-speed filling line [illegible] Germany

Another approach [illegible] to improve spraybooth filtration systems [illegible] prevent VOCs being released into [illegible] atmosphere, [illegible] as improving paint application systems [illegible] more paint [illegible] up on [illegible] on the spraybooth floor.

[illegible] companies are obliged by [illegible] now [illegible] provide products which [illegible] staged reduction [illegible] VOCs required by [illegible] EPA. At present, [illegible] applies only to bodyshops buying [illegible] tonnes of VOCs annually, which have [illegible] have authorisation from their local authority [illegible] operate.

The limit has proved too high [illegible] affect any but [illegible] largest bodyshops – and [illegible] control [illegible] been limited further by the Department [illegible] Environment allowing bodyshops to offset solvent products returned for recycling against purchases [illegible] calculating the registration threshold.

[illegible] bodyshops having to meet the [illegible] tonne requirements of the [illegible] feel [illegible] they are at a competitive disad[illegible] and [illegible] is a strong groundswell of resentment that the main pollution culprits are smaller, ill-equipped bodyshops not covered by the Act.

The [illegible] is, however, an [illegible] which means that the DoE can [illegible] two tonne limit at [illegible] time. The industry is expecting reduction by the [illegible] of the year, possibly [illegible] one tonne, although the majority [illegible] industry observers [illegible] in favour of a much lower limit, a quarter [illegible] a [illegible] in [illegible] cases or even zero in others. In any event, [illegible] main [illegible] of the VOC reduction objectives [illegible] the EPA [illegible] yet [illegible] implemented. These have already [illegible] in dramatic developments both in product technology and appli[illegible] equipment.

All [illegible] leading paint [illegible] introduced 'high solids' paint which will meet the first stage regulations coming into force in 1995, and certain companies such as ICI Autocolor, Glasurit, the BASF refinish business, [illegible] DuPont have already introduced [illegible] refinish paints in [illegible] UK designed [illegible] meet [illegible] more stringent requirements which [illegible] come [illegible] in [illegible].

[illegible]-based paints are already widely used on vehicle production lines but can [illegible] more sensitive [illegible] temperature and humidity [illegible] than their conventional solvent-[illegible] counterparts. There [illegible] probably only a few hundred UK bodyshops now using water-based refinish paints and many others see few, [illegible] any, commercial advantages in changing to [illegible] yet.

ICI and Glasurit [illegible] however, that bodyshops using water-based systems [illegible] will [illegible] build up their experience [illegible] new technology well in advance [illegible] legislative require[illegible].

Other paint companies take an opposing view, arguing that [illegible] paints are [illegible] expensive, dry more slowly and are only available in lim[illegible] colours. [illegible] say [illegible] product developments may well enable the strict 1998 VOC levels to be met without a switch to water anyway.

Paint manufacturers also [illegible] watch what is happening in the [illegible] factories. There has been a dramatic increase in the use of 'pearlescent' paints and other special effects finishes such [illegible] tinted 'clear-coats,' already available in Japan. All of these developments will [illegible] big problems for the refinisher in extended repair times and the special skills required to duplicate the original finish.

Part of the [illegible] problem is the whole question of [illegible] matching. Vehicle manufactur[illegible] are introducing more than 1,000 [illegible] colours a year – and it can take about eight [illegible] hours in the laboratory to produce a refinish paint formulation to match an original [illegible]tory colour.

Colour-matching systems are one of the refinish paintmak[illegible] biggest financial commitments. The [illegible] of new materials on vehicles such [illegible] plastics and aluminium [illegible]our matching, applications techniques [illegible] product technology. It is [illegible] that in the coming years the environment will continue to be the single most important [illegible] influencing [illegible] product development in refinish paints.

In the past, different markets have had [illegible] refinish paint systems. The sophisti[illegible] of [illegible] systems, and [illegible] level [illegible] research funding needed, means that we are [illegible] rapidly towards global refinish paint technology, with fewer companies having [illegible] resources or commitment to [illegible] to develop in this [illegible].

Moreover, continued reduc[illegible] paint solvent levels and improved applications techniques will inevitably result in [illegible] continued [illegible] the volume [illegible] refinish paint sales, though product costs will rise.

[illegible] are [illegible] multinational companies producing paint [illegible] the UK [illegible] Akzo, BASF (Glasurit [illegible] RM), DuPont, [illegible] (Herberts Standox and Spies Hecker), ICI [illegible] PPG.

Industry observers ask if there is enough room for all [illegible] leading suppliers – or will changing strategies result in some [illegible] increasing their market share by acquisi[illegible] off [illegible] refinish paint [illegible]

* * *

The [illegible] is publisher of [illegible] Magazine.

هكذا من الاصل

The seven ages of paint production

Emphasis on management

Fortunately for the coatings industry, management skills have been well applied in the past couple of decades, writes John Asher

M[redacted] of today's coatings technologies [redacted] conceived by the 1960s, before environmentalism [redacted] a twinkle in Californian [redacted] being powdered and [redacted]. Laboratories [redacted] finding out [redacted] mechanisms by which some liquids could be solidified with ultraviolet light. *Life in the coatings industry flowed on tranquilly, with all the excitement of watching paint dry.*

Then marketing burst in on the scene. By the mid-1960s, the DIY industry was blossoming, and one of the largest single drivers was the multi-million marketing spend of large paint companies – with Hadrian, Valspar and Magicote setting the pace for Dulux and Crown to match.

Industrial paints remained aloof from these antics, considering a half-crown slipped into the lid [redacted] each tin for the paint shop foreman to be a more appropriate purchasing inducement. *Indeed, so successful* was this approach that some foremen were known to pour fresh paint down the drain to keep up the supply *of half* [redacted]!

The industry's complacency was rudely shaken by the oil crisis in 1973. [redacted] quadrupled in price. Paint companies scurried [redacted] reduce solvent usage. *Around* [redacted] *time*, industrial [redacted] were trying [redacted] raise productivity in paint

John Asher, above, observes that industrial coatings companies have sought to sharply focus product ranges and globalise their marketing

shops. Previously, [redacted] painting [redacted] been [redacted] department [redacted] many factories, but [redacted] combination [redacted] rising [redacted] prices and rising *paint shop productivity* [redacted] real impetus [redacted] new [redacted] technologies.

[redacted] contrast, [redacted] pro[redacted] concern [redacted] solvent [redacted] was not enough [redacted] force radical [redacted] change. but [redacted] *the mid-1970s it was dawning* on producers that Californ[redacted] quest for cleaner air was more than just an aberration *among people who had spent* too much time in [redacted] sun. [redacted] environmental regula[redacted] were set [redacted] become a fact *of life for the paintmaker.*

Gradually, [redacted] compa[redacted] caught [redacted] with the spirit of the times, and this became [redacted] of divorce. Twenty [redacted] previously, paints [redacted] more [redacted] products [redacted] *decorative/industrial spectrum.* But by the [redacted] the strategic [redacted] *industrial and decorative* paints [redacted] had become completely different. Decorative paints, [redacted] trade [redacted] DIY [redacted] *driven* by [redacted] and demands [redacted] their [redacted] channels.

[redacted] *product differentiation,* [redacted] which had weathered [redacted] were easily peeled from the [redacted] of the DIY sheds if *they* failed [redacted] live [redacted] to their [redacted] expectations.

Industrial markets [redacted] differently driven. Users [redacted] ings were globalising, and industrial coatings [redacted] [redacted] become international managers. Backing the winning hand of new technologies became critical for each market, so technical competence was crucial. Environmental issues became fundamental drivers [redacted] industrial coatings strategy, while remaining marginal issues [redacted] decorative businesses.

As management processes and philosophy diverged, [redacted] divorce [redacted] industrial from decorative [redacted] was the only [redacted] if both parties [redacted] continue living under the same corporate roof. Businesses with [redacted] critical [redacted] in both decorative [redacted] industrial [redacted] got [redacted] partner, or they were acquired by a stron[redacted] *who* [redacted] for them. Environmental pressures were [redacted] the *shape of* [redacted] industry.

[redacted] number [redacted] companies supplying [redacted] retail market dropped [redacted] result of [redacted] *rative shake-out, but* [redacted] ger industrial coatings [redacted] still clung [redacted] markets.

For example, since [redacted] industrial coatings companies supplied coatings [redacted] metal, and since powder coatings [redacted] taking [redacted] steadily increasing share of that sector, the companies [redacted] had supplied liquid coatings nearly all invested in powder.

At one stage there [redacted] 18 [redacted] companies making powder coatings, [redacted] with a [redacted] smaller share than the harsh economic realities [redacted] *business would allow.* [redacted] third [redacted] all that [redacted] needed [redacted] both efficiency of scale and competition. This [redacted] the number of significant powder [redacted] ings producers the [redacted] now has.

As these rationalisations have peaked, [redacted] past [redacted] have marked [redacted] of portfolio restructuring. Decorative businesses have [redacted] regionalising [redacted] industrial businesses have sought [redacted] *focus and globalise.*

With the exception of [redacted] speciality [redacted], particularly wood finishes, truly international retail [redacted] thin [redacted] the ground. 'Own-label' manufacturers such [redacted] *regionalising* in Europe [redacted] exploit their [redacted] operational skills and build the economies of scale [redacted] to them.

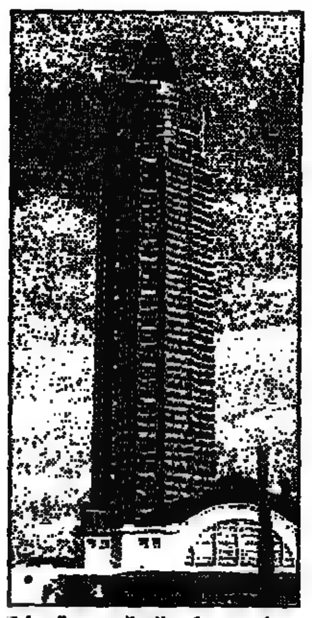
[redacted] decorative architectural coatings [redacted] growing but are still an insignificant driver [redacted] strat[redacted] compared with distribution *channels* [redacted] manufacturing [redacted] scale.

The do-it-yourself paint consumer continues [redacted] buy on [redacted] basis of price, colour and finish from any brand, [redacted] own-label brand, perceived to have a [redacted] reputation. Environmental considerations [redacted] well down [redacted] list [redacted] purchasing determinants.

Industrial [redacted] by *contrast,* [redacted] *increasingly con*[redacted] by environmental [redacted]ulations: coatings and coating procedures with lower environmental impact [redacted] become [redacted] in [redacted]. [redacted] no industrial coatings [redacted] can now keep up [redacted] in [redacted] historical markets whilst trying to globalise [redacted] all the technologies required, *portfolio changes* have recently [redacted] frequent as [redacted] boot [redacted]. They have radically affected nearly all industrial coatings suppliers [redacted] they [redacted] to build competitive positions.

Today's important question is: 'What [redacted] the [redacted] enth [redacted], and [redacted] will happen in the [redacted] decade?'

Portfolio restructuring will continue, but [redacted] a [redacted] pace in [redacted] the number of competitive coatings suppliers [redacted] approaching the minimum that [redacted] market [redacted] competitive supplies. Aerospace manufacturers now



A leading application for powder coatings is for aluminium facades – as used extensively on the exterior of the [redacted] centre tower in Frankfurt, Germany

really only [redacted] a [redacted] of [redacted] coatings suppliers while automotive manufacturers [redacted] a [redacted] five. This will be [redacted] what companies [redacted] rather hurriedly swallowed during [redacted] past [redacted] years. It [redacted] be [redacted] *of management.*

Fortunately, management [redacted] something [redacted] coatings [redacted]try has become rather good [redacted] past couple [redacted] decades. Coatings [redacted] which are [redacted] heavy chemical majors, rightly supply more than their fair [redacted] of managers, culture and *ideas* [redacted] *their institutionalised* parents.

Managers with [redacted] coatings background, [redacted] those with quite a modest [redacted] of [redacted]sibility, have [redacted] to develop good strategic understanding, high customer care skills, long term customer-supplier relationships, high quality products efficiently produced – all the ingredients of successful modern [redacted]. Often they interface with state-of-the-art [redacted] in their daily work and [redacted] best industrial strategy and practice rubs [redacted] in the [redacted].

Environmental pressures [redacted] pointed the direction for [redacted] industry. That [redacted] arrived safely is because [redacted] management [redacted] with the challenges and thrived on strong [redacted] fruitful links with [redacted]. This should be [redacted] formula for success, in any age.

□ □ □

[redacted] writer, [redacted] Asher, [redacted] worked in the coatings industry for [redacted], with [redacted] director of [redacted] 11 [redacted] as managing director of Crown [redacted] Products. [redacted] is now [redacted] consultant working [redacted] industry and author of [redacted] Financial Times Management Report, [redacted] Coatings – A [redacted] of Change?' published [redacted] price, [redacted] ($461).

Consumers are willing to pay more for easier-to-use, water-based coatings, says **Roland Adburgham**

Woodcare products: no backwater sector

The cat depicted walking along a fence *on cans of* Cuprinol's 'Garden TimberCare' isn't there as a piece of whimsy.

Nor are the flowers gaily flourishing *along the bottom of the fence. The* illustration's intended message is: this product won't hurt either your pets or your plants. Cuprinol's research showed this was *consumers' first concern – even* more than the safety of their children (it may be charitably assumed that if people believe [redacted] product is safe for animals, that includes offspring.)

The sales growth of such water-based fence coatings was nearly 12 per cent in Britain last year. Other exterior woodcare products are flourishing: Roncraft says its water-based woodstain increased sales by 45 per cent in 1993. This has countered static or declining sales in other sectors of the market, although Roncraft, the market leader in interior varnish, is encouraged this year by the strengthening *of the housing* market.

Overall, the consumer market – mostly through *do-it-yourself stores* – is estimated to have expanded last year by 4.5 per cent to £111m. In addition, *there is the trade market of around 250m* and an industrial market of about half that – "woodcare products are assumed to be [redacted] bit of [redacted] backwater in the surface coatings industry – but that couldn't be further from the truth," says Mr Jim Byrne, Cuprinol's marketing director. "It is a quarter the size of the paints industry – and growing. It is a dynamic, thrusting industry, in contrast to the surface coatings industry which is very staid."

He admits woodcare has had a prosaic image compared with paint. It is one the industry leaders seek to counter with *television advertising campaigns,* capitalising on the broadening appeal of natural wood within the home and its increasing exterior use for window frames. The market itself ranges from products which prevent decay to *decorative finishes. Cuprinol, which* is based in Frome, Somerset, and was acquired by Williams Holdings in 1988, and Roncraft, owned by the US company L [redacted] Products, each have about a quarter of the consumer woodcare market. With *smal[redacted]* shares of the retail market are Sikkens, Sadolin and Dulux (ICI), *although these three have larger shares* of the trade market.

Sales of do-it-yourself exterior woodcare products are flourishing

Innovation is being stimulated by the trend away from solvent-based products *to water-based products with low-odour* formulations. The driving force for this is the consumer: water-based products are quick-drying and brushes can be washed out. They also cost more and, in most cases, the performance has yet *to equal solvent-based products – they* do not penetrate as deeply and are not as durable. The water-based formulations are more complex but the consumer is prepared to pay [redacted] premium to have the convenience.

In contrast, Mr Byrne says, the professional trade still has "considerable *resistance" to water-based products as* it [redacted] more concerned with performance and price. In the retail market, where consumers make only occasional purchases, it is the convenience, rather than environmental factors, which is at the forefront of their buying decisions. Mr Ged Shields, marketing director *of* Roncraft, says: "Our research shows consumers are much more concerned *with the home environment, rather than* the wider environment."

Mr Shields says it is generally agreed that water-based products are in fact more environmentally friendly, although the equation is complicated.

Solvent-based products, using mainly *white spirit, evaporate* into the atmosphere where they mix with vehicle emissions to cause smog.

On the other hand, water-based products, being less *durable,* will need to be used more frequently, which has implications for energy and packaging use. Then there are the chemicals which are washed out of the brushes and into the drains. Health and safety legislation affecting UK woodcare products was *virtually non-existent* only a decade ago, but now, says Mr Byrne, "we are one of the most heavily regulated industries within the do-it-yourself sector."

The main legislation on the use of pesticides is the Food and Environmental Protection Act 1985. A product which makes any claim as [redacted] preservative has to be registered with the Health and Safety Executive; in 1990, it banned the use in consumer products of lindane, *pentachlorophenol* and tributyltin oxide. Cuprinol, the preservative market leader, had already replaced these with acypetacs-zinc and permethrin. More reforms are coming with European directives on formulations, labelling and containers.

Mr Byrne points out that while manufacturers have to ensure their products will not harm, for example, bats in [redacted] or bees in hives, consumers want to know a preservative is effective, especially because the combination of the damp UK climate and low-quality softwood encourages decay – "a claim of potency is [redacted] good marketing claim," he says. "We have to make the product as effective as *possible while as safe as it can be – there* is [redacted] trade-off there."

■ PRODUCT DEVELOPMENT

Radical shift in attitude

So where is the paint industry going? From what its leaders say, there has been [redacted] fundamental change in attitude, with not only new products developed or [redacted] the way, but also fresh approaches to management, writes Ian Hamilton Fazey

Paint product development is dominated by the [redacted] to use [redacted] organic compounds (VOC) in solvents. [redacted] is one answer. Other coatings have higher proportions [redacted] solids – pigment and resin – [redacted] before. Meanwhile, some companies [redacted] specialising in powder coatings, which have [redacted] solvent at all.

In all companies there has been a shift [redacted] from [redacted] research. Beckers, the [redacted] paintmaker, now calls its laboratories [redacted] product development department, typifying [redacted] growing concentration on working up what [redacted] industry now has, rather than looking [redacted] something new.

"Purer" [redacted] going on – but [redacted] such as the [redacted] Association, where [redacted] jointly funded, or [redacted] universities, where projects [redacted] sponsored. In companies' [redacted] labs, work [redacted] driven by the needs and problems of industrial [redacted]

[redacted] relationships with [redacted] paints [redacted] deepening and changing paints companies' approach [redacted] management. There has always [redacted] symbiosis, particularly in the automotive industry, where paintmakers have given [redacted] manufacturers guaranteeable anti-corrosion technology.

The car business now exemplifies the latest management developments. Numbers of competitors [redacted] OEM – painting cars during manufacture – have been reducing steadily for 10 years.

But [redacted] while four or five remained, competitive supply still had much [redacted] do with the price of paint.

Now, both [redacted] and paintmakers have realised that having fewer paint companies supplying the OEM market – worth about £650m [redacted] year in Europe alone – is the way to lower overall costs. As Dr Marvin Hartman, one of PPG's leading chemists, puts it: "There is [redacted] lot more cost in painting than the cost of the paint. It's the whole process of getting it [redacted] to the car."

Dr [redacted] Hopp, [redacted] BASF [redacted] Farben, [redacted] "Only 10 to 20 per cent of a paint shop's [redacted] is the cost [redacted] paint. The [redacted] much [redacted] costly.

"[redacted] hope to [redacted] from stupid [redacted] on raw [redacted] prices. [redacted] painted [redacted] matters, including the [redacted] cost."

There [redacted] in this [redacted] paint has historically [redacted] priced by [redacted] litre. High technology modern coatings do [redacted] better job with less paint, but persuading purchasing [redacted] they should therefore pay more per litre is another matter. Changing the pricing structure offers better prospects.

The automotive industry [redacted] making this possible by moving away from competitive supply [redacted] individual plant level. Carmakers may retain several paint suppliers overall, but will give a franchise to only one per plant.

PPG and BASF [redacted] now emerged as the [redacted] front runners in [redacted] market, [redacted] each is adopting [redacted] approach. PPG thinks [redacted] should [redacted] the [redacted] painting [redacted] with PPG managing [redacted] staffing the paint shop. BASF is openly hostile.

"There is enormous price pressure and [redacted] is trying [redacted] bring in savings," Dr Hopp says. "We are very good at making paint, but not necessarily [redacted] things. [redacted] by bringing together experts in car manufacturing, paint supply and application equipment manufacturing – as well as those in car design or design of car plants – we can work as team to optimise the [redacted] process."

Mr Austin O'Malley, who [redacted] been responsible for building PPG's OEM [redacted] in Europe, disagrees.

"The body of knowledge [redacted] painting cars [redacted] now resident [redacted] the paint industry," [redacted] "We [redacted] experience, knowledge and [redacted] – and the critical [redacted] You need to be able to provide eight people per shift to replace the car company's own engineers. We [redacted] now big enough to offer this. Most [redacted] our competitors are not."

Advanced application system: [redacted] cathode electro-coat (CED) tank at the technical centre for vehicle finishing at Herberts – part of the Hoechst group – located at Wuppertal, Germany

The answer [redacted] question of which approach is better – or if neither is – will be [redacted] over the next [redacted] years [redacted] individual [redacted] of Ford and General Motors as they plump for one supplier at each – and the management system to go with it. It will be [redacted] new type of competition to that of simply undercutting to supply cheaper paint.

Meanwhile, technology [redacted] driving [redacted] development of powder paints, which contain no solvent at all and are therefore ultra-friendly to the environment.

The raw material is made by milling together pigment and resin finely enough for the resultant powder to be sprayed onto heated metal objects. An [redacted] field ensures they deposit evenly; the heat sets off polymerisation and [redacted] coloured film forms over the surface, 'painting' it. Oversprayed powder is collected and recycled.

The process works well on items like aluminium extrusions for window frames, under-the-bonnet car components or office light fittings, but films are thick and achieving a hard gloss is difficult.

The powder market [redacted] very fragmented, but is now concentrating worldwide, with a few companies – notably Courtaulds Coatings of the UK, Herberts of Germany and Ferro of the US – trying to solve the problems.

Laporte, which now owns Evode Powder Coatings in the UK, is developing powder application methods [redacted] plastics – and aims to threaten wet paint in this segment.

Courtaulds believes thinner films – the key to challenging [redacted] industrial paints – will be achieved through engineering as much as chemistry, by milling to the fine particle standards of the cosmetics industry.

Formulation – resin design and deciding the ratio of pigment – will become more critical, and cannot be done by anyone.

Partnership with industry is also important here. Euramax, the aluminium coil coater, is experimenting with powder, though using single sheets of metal, rather than a continuous strip [redacted] present.

Mr Roger [redacted] executive, says powder offers multi-coloured and embossed finishes – impossible with [redacted] paint, which provides [redacted] uniform coating.

Meanwhile, [redacted] Mr John Bernie says the Paint Research Association [redacted] looking [redacted] more [redacted] technologies.

For example, [redacted] biomimetics programme [redacted] studying how [redacted] and [redacted] develop natural coatings from waterborne compounds [redacted] which [redacted] will [redacted] in [redacted]

The implications [redacted] waterborne paints, which are at present more suited to indoor than outdoor [redacted] obvious.

Rising prices for the paint ingredient, titanium dioxide

Triumph tinged with irony

This year is [redacted] of triumph for manufacturers of titanium dioxide, reports Daniel [redacted]

A [redacted] of price [redacted] titanium dioxide – a vital ingredient [redacted] paint, plastic and paper [redacted] – [redacted] pushing [redacted] price around the world towards [redacted] a tonne.

[redacted] triumph is tinged [redacted] irony: [redacted] deep [redacted] the price cuts during the early 1990s, [redacted] $2,000, [redacted] price [redacted] barely what it was [redacted] five years ago.

For the first [redacted] since [redacted] start of [redacted] decade, titanium dioxide producers have managed to make price rises stick. Most recently, [redacted] producers, led by [redacted] subsidiary SCM, last month [redacted] prices by three [redacted] pound, or from about $1,920 to [redacted] tonne.

This [redacted] price hike by European producers [redacted] They attempted [redacted] prices by [redacted] 20 [redacted] in implementing 10 [redacted] percentage points [redacted] They [redacted] beginning [redacted] push [redacted] through now, according [redacted] Jim Fischer, president [redacted] Jersey titanium [redacted] consultancy consultancy, International [redacted] Management [redacted]

The European price rise was [redacted] much higher than [redacted] in the [redacted] partly because they [redacted] a response [redacted] over the previous 12 [redacted] some [redacted] sharpest in [redacted] history. The partial collapse of [redacted] European exchange rate mechanism in [redacted] 1992 and 1993 "ratcheted down" titanium dioxide prices in Europe, says Mr [redacted] der, [redacted] ICI [redacted] sidiary, [redacted]

As currencies of countries which have titanium [redacted] manufacturing plants [redacted] – they [redacted] sterling and the escudo – titanium [redacted] prices [redacted] Europe [redacted] fall [redacted] new lower prices. According to Mr Fischer, prices fell by [redacted] in Europe during 1993 before October's [redacted]

In [redacted] region, [redacted] been similar although prices [redacted] historically [redacted] levels in the western hemisphere, thanks to a combination of low labour costs and, in [redacted] cases, [redacted] modern plant. Prices recovered from about $1,600 [redacted] to [redacted] still rising.

The [redacted] of this turnaround in world prices for [redacted] are only partly [redacted] recovery: changes [redacted] capacity and patterns of demand have [redacted] plants [redacted] approaching maximum output much more quickly than they would have [redacted] five [redacted]

Total world capacity is 3.7m tonnes [redacted] year, if [redacted] published capacities [redacted] titanium [redacted] plants are [redacted] up. According [redacted] Mr Fischer, this [redacted] real capacity by [redacted] 300,000 tonnes a [redacted] many [redacted] have allowed [redacted] plant [redacted] pair during the [redacted] chronic [redacted] world price.

[redacted] then, [redacted] consumption [redacted] 3m tonnes [redacted] year, implying over capacity [redacted] 400,000 [redacted] a year. [redacted] plants [redacted] already operating [redacted] capacity [redacted] of the high demand for one kind of [redacted] dioxide, [redacted] produced by one [redacted] chloride [redacted] of manufacture.

Titanium dioxide, made by [redacted] chloride [redacted] in greater demand that [redacted] by the [redacted] sulphate process [redacted] of [redacted] technical [redacted] such as durability [redacted] glossiness in paints.

[redacted] by Mr [redacted] gests [redacted] average chloride [redacted] plant [redacted] operating [redacted] 93 per [redacted] capacity which the [redacted] sulphate plant [redacted] operating [redacted] per [redacted] This helps explain why [redacted] price [redacted] have been [redacted] by SCM and in Asia by Du Pont, which [redacted] highly dependent on [redacted] method.

In [redacted] the arguments [redacted] which of the [redacted] is [redacted] have centred on the apparent ecological unfriendliness of the sulphate method. Mr Pedder argues that [redacted] mental laws [redacted] that any sulphate plants still operating are as clean as their chloride [redacted]

He defends the sulphate process, perhaps not surprisingly because Tioxide has more sulphate capacity than chloride. [redacted] sulphate-produced titanium [redacted] more [redacted] in [redacted] 70 per [redacted] consumption [redacted] of using the material from [redacted]

In the end, [redacted] simply [redacted] price [redacted] their trend towards relying [redacted] the chloride process.

Mr Fischer says that the sulphate [redacted] an inherently higher [redacted] of production. This [redacted] bad news [redacted] European manufacturers which still use it [redacted] great extent.

Although [redacted] high efficiency [redacted] as [redacted] France [redacted] Spain, [redacted] Poulenc [redacted] Havre in France, [redacted] of [redacted] impetus [redacted] the European price rises in Europe, says Mr Fischer, [redacted] "cost-driven."

The US and Asian producers, especially SCM [redacted] Du Pont, on [redacted] other hand, have [redacted] raise price simply [redacted] they [redacted]

"They were market-driven rises," he [redacted]

In the short [redacted] the [redacted] consumers of titanium [redacted] the 70 [redacted] of titanium [redacted] that [redacted] the output from either process may yet [redacted] the [redacted] word.

Eventually, price bargaining and discounting will [redacted] again [redacted] the [redacted] of [redacted] titanium dioxide stage, and then [redacted] growing profit margins [redacted] the [redacted] producers could severely [redacted] the health of the [redacted] cost sulphate plants.

هكذا من الاجل

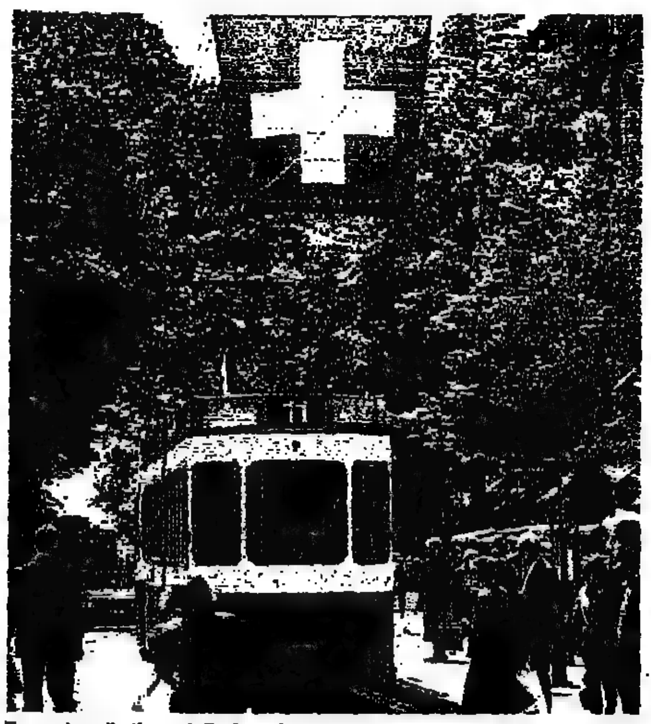
Manufacturers worry that their domestic orders have fallen: **Page II**

FINANCIAL TIMES SURVEY

SWITZERLAND

AlpTransit proposes two new high speed rail tunnels to Milan: **Page IV**

Friday April 8 1994



Trams trundle through Zurich, skiers gambol in the snow at Verbier, the Rathaus cathedral stands grandly in Basle – and the Economist newspaper, reading the statistics, recently pronounced Switzerland the world's most desirable country in which to live

Increasingly awkward position

Despite a resilient economy and a tranquil political scene, the Swiss remain uncertain about their future in [redacted] more integrated Europe. [redacted] Rodger reports

By any measure, Switzerland [redacted] doing pretty well [redacted] days.

It has a strong currency, a resilient economy, a restored status as a banking centre and a relatively tranquil social and political life. It even has some fresh outside endorsements.

The Economist newspaper recently pronounced Switzerland the world's most desirable country in which to live, on the basis of a synthesis of economic, social, cultural and political statistics. And a survey last month by International Survey Research found that Swiss workers were the most satisfied in Europe.

[redacted] represents [redacted] a change from the late 1980s when a [redacted] of unseemly [redacted] business and [redacted]ernment and uncertainty about European integration [redacted] undermining Swiss confidence.

But beneath the surface doubts and problems persist. Having decided in a referendum 15 months ago to keep their distance from the European Union, the Swiss remain bemused by the integration process going on around them.

They also sense that the strategic assumptions on which they have anchored their policy of armed neutrality for nearly 200 years no longer hold, but they are not sure how they should fit into the post-cold war world.

And they are startled by an increasingly raucous tone in their internal political debates, reflected in a sharp polarisation of voting patterns in recent local elections and the tragic inability of all levels of government to agree on a policy for dealing with the country's outsized community of hard drug addicts and dealers.

For the moment, though, most Swiss are probably just relieved that things are going as well as they are.

In late 1992, as the debate swelled over whether or not the country should join the European Economic Area (EEA), political and business leaders warned of dire consequences – an exodus of industry and a slumping economy – if the EEA was rejected.

In the event, the people [redacted] by a [redacted] majority [redacted] stay [redacted] of the expanded free [redacted] area which unites the EU and the countries of the European Free Trade Association (Efta). Yet so far no significant negative consequences can be directly attributed to this decision.

On the contrary, there is widespread agreement, even among European integration advocates, that the decision has bolstered Switzerland's previously flagging status as a financial safe haven.

New investment funds have poured into the country in the past year at a rate not seen since the early 1970s when the central bank ultimately had to impose negative interest rates to staunch it. While it is true that external events – a new withholding tax in Germany and political turmoil in Italy – provoked these flows, it is also true that much less of it would have come to Switzerland if the country had joined the EEA.

The inflow – which in fact began a few months before the EEA vote – enabled the Swiss National Bank to begin lowering interest rates well before other European central banks, and that in turn helped reduce inflation and lay the base for the economic recovery which seems to be getting under way this year.

Whether the EEA decision has had any structural impact on [redacted] industry [redacted] unclear. Corporate investment has been at a low level anyway, and the rise of unemployment to record levels in the past year [redacted] attributable mainly to higher female participation rates and the tendency of guest workers not to return to their countries when they lose their jobs.

Nevertheless, there remains an uneasy sense that some day a price will have to be paid for the arrogant [redacted] remain aloof from the European club – [redacted] sense that was heightened last month when, in [redacted] a majority voted to ban all transit lorry traffic from the Alps from 2004.

Swiss authorities may say [redacted] this [redacted] decision [redacted] motivated entirely by [redacted] mental [redacted] in [redacted] mainstream of progressive European transportation policy, but neighbouring coun[redacted] have [redacted] by this unilateral [redacted] and have already threatened retaliation.

Planned negotiations later this year between Switzerland and the EU on other air and road transport issues will not be made any easier, and Swissair, the national airline, could find itself unwelcome at some EU airports.

The federal government finds itself [redacted] an [redacted] awkward position on European matters. It is caught between its conviction that integration is essential and inevitable for the country's future welfare and security, and the mood of [redacted] population, which shows no [redacted] of having shifted since the EEA vote.

This discomfort [redacted] reflected in a foreign policy [redacted] in December which [redacted] integration [redacted] European Union, but eschewed setting any timetable for it, for fear of stirring up the Europhobes.

The otherwise bland state[redacted] did contain one remarkable chapter – devoted to the issue of neutrality. It effectively laid the basis for jettisoning this sacred foundation of Swiss foreign policy, arguing that neutrality was never an [redacted] but merely a means of preserving Swiss independence.

[redacted] paper suggested that today, when 70 per cent [redacted] imports [redacted] from [redacted] countries, [redacted] independence [redacted] threatened more by not having a say in EU policymaking than by any hostile military power.

So far, the Swiss have shown little inclination for full debate on strategic policy, but [redacted] could change soon. In June they are to vote in a referendum on providing blue helmet troops to United Nations peacekeeping operations, which should refocus attention on strategic issues and the future role of the Swiss military.

The country still has one of the largest armies in Europe, with 600,000 men capable of being mobilised within a few hours. The government decided, three years ago, that such a large force was no longer necessary following the collapse of the Soviet empire. From next year, force levels are to be reduced by a third, with whole regiments disappearing. So far, this restructuring has not been accompanied with the howls of protest that greeted similar cutbacks in [redacted] other countries, [redacted] could have a big long term social impact. The militia army has long been one of the few unifying forces of Swiss society – the "Place de la Concorde" where men from all social strata and linguistic groups get to know each other in testing circumstances.

Some people fear that the country is already showing signs of losing its delicate cohesion, and that social and political debates are becoming too strident. This has been especially apparent in the Zurich region in recent months, as public anxiety over rising drug crime has mounted.

The marginal right wing Swiss People's Party (SVP) seized on this anxiety in recent elections in the country's larg[redacted] city, campaigning aggressively against [redacted] liberal approach of those it sneeringly called *"die Linken und Netten"* (the Lefties and the Do-gooders) to the drug problem.

The people responded, voting in 19 SVP representatives to the 125 seat city council on March 6, compared with only seven in 1990.

It was hardly a coincidence that the federal government, which has dithered over drug policy for years, leapt into action the following week, passing tough new measures to curtail the rights of asylum seekers. Many drug dealers in Zurich are former Yugoslavs who have exploited the asylum law to avoid extradition.

Civil rights activists were appalled, and opinion leaders in distant French-speaking cantons grumbled about further proof that the nation was being forced to subordinate its priorities to those of Zurich.

It all seems a bit un-Swiss, but it would be wrong to forecast any serious deterioration of the still exceptionally high quality of life in the country. The Swiss are too tough and practical to let that happen.

Andrew Fisher reviews the state of manufacturing industry

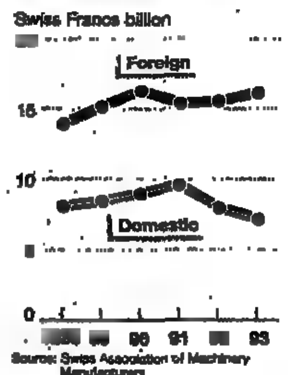
Domestic orders have fallen off

For a country of [illegible] than 7m people, Switzerland has some [illegible] the most internationally-oriented companies in the world.

Many of them [illegible] more abroad than [illegible] home and some – notably in the textile machinery sector – even produce more outside than inside their own country. In the mechanical and electrical engineering industry, exports account for nearly [illegible] per [illegible] of total turnover.

Yet there is a worrying aspect to this success in foreign markets. It is not that companies' performance is [illegible] closely tied [illegible] growth [illegible] where, notably in Germany. That [illegible] the overall competitive and economic environment in which companies are used to operating.

Engineering industry order inflow



Source: Swiss Association of Machinery Manufacturers

[illegible] the industry is [illegible] domestic orders have fallen so sharply in the past few [illegible] year, according [illegible] of machinery manufacturers [illegible], new domestic orders fell by almost [illegible] per [illegible] a near 17 per [illegible] collapse in [illegible] Foreign-orders rose by [illegible] per cent, producing an [illegible] decline for 1993 [illegible] 1.2 per cent.

Although domestic [illegible] picked up strongly in [illegible] fourth quarter, that was only [illegible] of some large orders from the [illegible] and Swiss [illegible]. With [illegible] quarter of its home market having disappeared since 1991, Mr Thomas Gasser, the [illegible] president, is arguing strongly for [illegible] political decision to prevent capital investment being postponed until the introduction of value-added [illegible] in 1995.

The VSM estimates that [illegible] least 10 per cent or some SFr1bn of investment which would benefit VSM companies could be delayed. The reason is that VAT will not be levied on such investments, unlike the previous indirect [illegible] tem. [illegible] the outcome of this issue, the VSM [illegible] at least see the chance of an overall improvement in [illegible] members' business this year. "I'm moderately optimistic [illegible] 1994," says VSM's director Mr Martin Erb. "I expect more orders from abroad and I hope domestic orders will stabilise."

Much, [illegible] what happens in Germany, by far [illegible] customer. The European Union accounted last [illegible] for just under [illegible] per cent [illegible] the industry's exports, which [illegible] down slightly [illegible] the region overall. [illegible] not over-optimistic [illegible] the immediate prospects for [illegible] German economy and thus for the rest of Europe.

Helping [illegible] trend near [illegible] home [illegible] been [illegible] explosive growth in [illegible] markets. Leading [illegible] last year [illegible] China [illegible] by the [illegible] machinery and electrical sector rose by 59 per cent. China thus overtook Japan as the industry's largest customer in [illegible].

Altogether, exports [illegible] rose by [illegible] than 9 per cent, with steep [illegible] in Malaysia, Hong Kong [illegible] Singapore. [illegible] such successes [illegible] not wholly compensate for [illegible] problems elsewhere. [illegible] companies [illegible] year fell by [illegible] per cent to SFr24.1bn.

Mr Gasser, [illegible] deputy [illegible] executive of ABB Asea Brown Boveri, [illegible] engineering concern, has [illegible] doubts about [illegible] innovative abilities of Swiss companies [illegible] they strive [illegible] reverse [illegible] trend. "We're [illegible] good as [illegible] body else," he [illegible]. "Large countries have all been decentralising. This will spur innovation."

Also, he [illegible] that [illegible] traditional [illegible] of quality, efficiency [illegible] on the labour front will [illegible] to stand industry in good [illegible]. "From [illegible] competitive point of view, I [illegible] fairly strongly that there's nothing wrong with industry."

Where he does see a problem [illegible] in the structural rigidities which have developed in the Swiss economy. The Swiss are used [illegible] living [illegible] and monopolies have been allowed to prosper.

Mr [illegible] does not think there [illegible] enough urgency, either in [illegible] government [illegible] the population, in pursuing this [illegible]. "We're [illegible] happy with ourselves," he [illegible]. [illegible] groupings and local [illegible] public purchasing in other areas – both of which [illegible] government is now trying [illegible] combat under [illegible] "revitalisation" programme – affect industry's costs, he points out.

Because [illegible] Switzerland's high productivity and longer working hours, unit labour [illegible] actually lower than in neighbouring Germany – [illegible] big competitor as well as customer. However, this advan[illegible] will [illegible] necessarily [illegible]. [illegible] year, unit labour [illegible] in Germany are likely [illegible] stagnate, as in Switzerland [illegible] year," says Mr Alois Bischofberger, economic [illegible] head at Credit Suisse. "The competitive advantage against Germany [illegible] likely [illegible] disappear."

[illegible] economists, he [illegible] dismayed by the strength of the Swiss franc against the D-Mark and other currencies. "Experience [illegible] currencies are not the most important factor," says Mr Hans Kaufmann, head of Swiss [illegible] Bank Julius [illegible]. "More important [illegible] the recovery in [illegible] economies."

[illegible] yet, the signs from world [illegible] mixed. Mr Fritz Fahrni, chief [illegible] the Sulzer engineering group, sees slight indications [illegible] a recovery in North America but [illegible] not expect much growth in Europe. "I'm afraid there [illegible] boom around [illegible] corner."

Sulzer is one company which has been rationalising its production and management to stay competitive. Like ABB, it has [illegible] encouraging older managers [illegible] retire and striving to bring on new products – as in [illegible] fast-growing medical technology division which accounts for 36 per cent [illegible] R&D – [illegible] rapidly as possible.

However, [illegible] streamlining trend in industry has further [illegible] go. "Not all plants [illegible] rationalised," [illegible] Mr Kaufmann. Some of the smaller ones [illegible] by underestimating the amount of reorganisation and investment (both in money and effort) needed in [illegible] computer systems and [illegible].

"If you want [illegible] compete with the Far [illegible] you have [illegible] very modern [illegible] days," he adds. As the export figures show, many companies have [illegible] advantage of the pros[illegible] in [illegible] markets. [illegible] there [illegible] social [illegible] to this process of steady improve[illegible] losses.

The VSM says 10,000 [illegible] have [illegible] in [illegible] industry [illegible] the [illegible] three [illegible]. While this is not dramatic in an industry employing some 340,000 people, it is certainly [illegible] unwelcome change for [illegible] country where unemployment used to be virtually unknown.

THE ECONOMY

Pundits are wary

Slowly, cautiously and without flamboyance – rather like the Swiss themselves – the economy is recovering from a recession which has pushed unemployment up to levels not seen [illegible] the second world [illegible].

Switzerland's recession [illegible] lasted [illegible] around three years and only in the [illegible] quarter of [illegible] did [illegible] economy start [illegible] move back into growth. Although a [illegible] recession [illegible] be unrecognisable as such to anyone from Britain, the US, or currently even Germany it has caused considerable [illegible] in a small country [illegible] dependent on foreign markets and [illegible] prosperity.

Even [illegible] economists are wary of promising [illegible] much for [illegible]. "We've probably [illegible] the trough [illegible] the economic cycle, but we [illegible] still in the very early stages of recovery," says Mr Alois Bischofberger, [illegible] of economic [illegible] Credit Suisse. "Most people haven't realised this incipient recovery [is taking [illegible] yet, as the labour market [illegible] relatively weak."

It is likely to stay [illegible] for a while. At just over [illegible] per cent, [illegible] nearly [illegible] people, the jobless level will continue to be a dampener on the [illegible], holding back private [illegible] tion, which [illegible] expected [illegible] show little growth this year.

Mr Georg Rich, chief economist [illegible] the Swiss National Bank, [illegible] a stronger [illegible] improvement than currently expected would be necessary to bring down unemployment significantly. "I don't see a [illegible] [in the *jobless figure] this year,* [illegible] *if* [illegible] revival accelerates [illegible], [illegible] will decline further."

The general expectation [illegible] growth [illegible] between 1 and 1.5 [illegible] cent in [illegible] after [illegible] dip in 1993 – hardly enough to put much [illegible] dent in the jobless total. But the high unemployment level also reflects the fact that fewer foreign workers are returning home, now that immigration rules have been relaxed.

Also, improved benefits have encouraged [illegible] people [illegible] register as jobless. [illegible] women are tending to join the unemployment [illegible] when they lose work [illegible] drop out of the labour market.

In addition, as part [illegible] worldwide industrial [illegible] uring process, many companies – especially the larger ones – have shed labour [illegible] more efficient [illegible] competitive. It will [illegible] until [illegible] both jobs and capital [illegible] ment [illegible] to benefit to [illegible] degree from economic growth. Next year's economic growth rate is likely to exceed [illegible] cent, [illegible] exports up by around 4 per cent (against less than 3 per cent this year and a marginal decline in [illegible] and capital investment rising by some [illegible] cent [illegible] 2 per cent this [illegible] and a 4 per cent drop [illegible] year.

Exports [illegible] up relatively well [illegible] recession; in [illegible] they gained [illegible] than 3 per cent. This is partly because [illegible] earlier than [illegible] *countries and partly because of* sharp growth in [illegible] countries in south America [illegible] Asia, though [illegible] account for a relatively small part [illegible].

This year's export growth will, despite the strength of the Swiss franc, benefit from recovery [illegible] US, continued buoyancy in south-east Asia and an improved economic situation in Europe, notably in neighbouring Germany. But with industry operating at little more than 80 per cent capacity, compared with more than 90 per [illegible] in the late 1980s, there is still [illegible] of slack to be taken up before the employment situation benefits.

Productivity growth [illegible] now [illegible] and 1.8 [illegible] a [illegible], [illegible] Mr Bernd Schips of the economic research centre at the Federal Institute of Technology in Zurich. "[illegible] need overall growth [illegible] than 2 [illegible] cent, otherwise unemployment will stay high [illegible] and next."

To understand the significance of [illegible] per cent jobless [illegible] – Mr Schips calls this "unbelievably high" by [illegible] standards – it is necessary to remember that unemployment [illegible] unknown in [illegible] 1960s and [illegible] 1 per cent until [illegible] mid-1980s. In [illegible] report [illegible] the [illegible] economy [illegible] year, [illegible] Organisation [illegible] Co-operation and Development (OECD) [illegible] unemployment [illegible] one of the problems [illegible] could undermine some [illegible] the country's long-enjoyed [illegible] tages.

It [illegible] highlighted [illegible] need for a structural shake-up in the economy. The [illegible] has already embarked on [illegible] "revit[illegible]" [illegible], spurred by the need [illegible] act after the Swiss people turned down membership of the European Economic Area (EEA). The programme covers competition policy, the liberalisation of immigration rules, education and research, and trade, both international and internal.

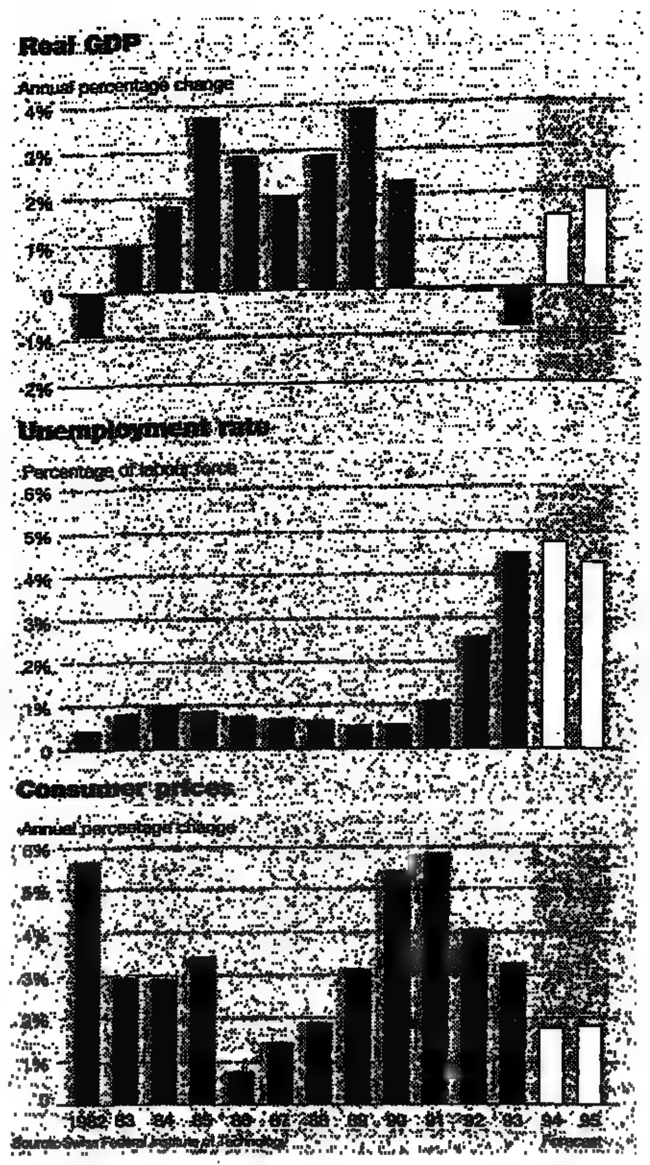
Cartels need to be eliminated. "Cartels are widespread in the economy," Mr Bischofberger says. "The domestic economy is one of the most cartelised in Europe." Stronger action on this would help bring down prices, [illegible] obvious example being in the car business where importers have a monopoly.

Another area which needs to be tackled effectively is local protectionism in procurement policies. "In some cantons," Mr Bischofberger points out, "administrations and [illegible] are not allowed to buy prod[illegible] outside the canton or even their municipality." The [illegible] to benefit local producers, but the effect is to keep prices high.

If Switzerland's revitalisation [illegible] is successful, its traditional strengths deriving from [illegible] skilled workforce, har[illegible] industrial relations, first-rate infrastructure and corporate innovation will [illegible] enhanced. With [illegible] fall[illegible] 1 per cent - [illegible] though [illegible] in [illegible] value-added [illegible] (VAT) system will give [illegible] one-off boost - economic stability [illegible] being newly consolidated.

That still leaves the problem of [illegible] budget [illegible]. At nearly SFr14bn, it [illegible] *cent of gross domestic product.* The ending of [illegible] will help [illegible] this, but [illegible] government [illegible] has to [illegible]. Mr [illegible] cites [illegible] young [illegible] who [illegible] probably earn at least *SFr5,000* a year more [illegible] he joined the federal government than if [illegible] a bank paying market [illegible].

Andrew Fisher



Ian Rodger looks at the banking business

1993: 'annus mirabilis'

Swiss banks which are active in international asset management and securities and currency trading still bask in the spectacular success they enjoyed last year.

Most admit, however, that they be[redacted]fited from [redacted] remarkable conjunction of positive [redacted] Interest [redacted] fell throughout the year, driving bond prices higher and encouraging investors to shift more funds from fixed income instruments into equity markets, [redacted] boomed. The all share Swiss Performance Index advanced no less than 40 per cent during the year and volume was active on the Swiss stock exchanges throughout the year.

Introduction of [redacted] withholding [redacted] in Germany and continuing political turmoil in Italy encouraged more and more foreigners to store their savings in safe, stable Switzerland.

Swiss banks are normally reluctant to reveal the size of the funds they manage, but several reported that the amount rose by a third or [redacted] Baer Holding, the parent of Bank Julius Baer in Zurich and one of the few to divulge fund figures, said its funds under management jumped 36 [redacted] to SFr45bn.

Meanwhile, continuing international [redacted] instability enabled [redacted] handsome [redacted] on their trading and financial engineering services.

The only banking business [redacted] did [redacted] do well last year was lending. Net interest income of all the big banks scarcely grew at all, and bad loan provisions were hoisted to record levels – to [redacted] extent, it is widely suspected, to hide profits from other activities. Given the continuing [redacted] in Switzerland and elsewhere, the opportunities for balance sheet growth were few.

For the big banks, this slump was more than compensated by winnings [redacted] For the smaller cantonal and regional banks, which rely almost totally on lending, it was a different story.

The trend to rapid consolidation in these sectors, which has been under way for [redacted] past three years, continued at a brisk pace. The number of regional banks, for example, has tumbled from 185 in 1991 to only 138 at the end of last year.

Among the most significant events was [redacted] of the two cantonal banks in Geneva, the Caisse d'Epargne de la République et Canton de Genève and la Banque hypothécaire du canton de Genève, into the Banque cantonale de Genève.

This long and carefully planned merger of two still sound banks passed off with scarcely a ripple. The same cannot be said for the collapse of a large regional bank in Lausanne, La Banque Vaudoise de Crédit, the bad loan provisions of which exhausted its capital late last year.

The bank thrashed about noisily for a few weeks, looking for rescuers. This caused [redacted] run [redacted] its deposits which had [redacted] be [redacted] emergency support [redacted] Banking Commission. Eventually, after [redacted] rejections, it [redacted] taken [redacted] by the [redacted] Banque [redacted] Vaudoise in December.

The regional banks [redacted] launched a scheme to try to prevent further [redacted] within [redacted] ranks. It proposes creating [redacted] central organisation which would carry [redacted] back [redacted] for [redacted] banks, thereby making them [redacted] competitive [redacted] larger banks.

Swiss Bank Corporation in Basle — Jasper Dijohl

Regional bank officials admit it is already rather late in the day for such a scheme. The combined assets of the 138 remaining members of the association is only SFr70bn, a mere third of the SFr207bn on the books of Swiss Bank Corporation, the smallest of the big three banks.

Swiss bankers have also been preoccupied in recent months with a blizzard of legislation and new regulations affecting them, in part a reflection of the federal government's desire to harmonise its practices with those of the European Union.

Revisions to the banking law to bring it into harmony with EU practice are in the final stages. The main debate has been over conditions under which the Swiss banking authorities should co-operate with their foreign counterparts. Oddly, one house of parliament wanted to minimise co-operation, fearing that it would undermine bank secrecy, but leading bankers convinced them that co-operation was in everyone's interest, and a balanced version in line with Bank of International Settlements' guidelines has finally won the day.

Bankers have also been trying hard to convince Berne that it would not be a good idea to impose the new value added tax, due to come into effect next year, on fees for managing foreigners' money. They fear that the resulting increase in fees will persuade many clients [redacted] elsewhere.

The federal finance ministry, grappling with huge budget deficits, is reluctant [redacted] give [redacted] any [redacted] of revenue, but [redacted] banks – and [redacted] country's struggling tourist industry – [redacted] it [redacted] unfair [redacted] exempt the export of products [redacted] VAT but not the export of services. A [redacted] expected in May, [redacted] one is predicting [redacted] way [redacted]

A proposed federal stock exchange [redacted] regulations dealing [redacted] takeover bids is meeting resistance [redacted] various levels. The stock exchange law [redacted] transfer regulatory [redacted] tonal level [redacted] once [redacted] national electronic stock exchange begins [redacted] operate [redacted] year. [redacted] upset about [redacted] drift of [redacted] proposed legislation towards strict [redacted] government regulation [redacted] expense [redacted] self-regulation.

A strong divergence of opinion [redacted] quoted companies [redacted] takeover bid rules could delay implementation of [redacted] Some [redacted] that [redacted] takeover rules [redacted] be accompanied by Euro-compatible monopolies legislation.

There have [redacted] suggestions [redacted] the takeover provisions [redacted] from the [redacted] exchange law, [redacted] can [redacted] quickly. The fate of [redacted] bill to bring [redacted] on investment [redacted] into [redacted] with EU practice is also [redacted] difficulty, even though the country has watched tens of billions of [redacted] decamp [redacted] Luxembourg [redacted] few years, where [redacted] legal framework is more favourable.

[redacted] place little hope on having [redacted] duty, a big irritant, [redacted] funds and they are resigned to the exclusion of Sicavs (unit trusts) [redacted] legislation. The government claims the necessary legal [redacted] requires more changes to the companies [redacted] well, and [redacted] time-consuming.

All this legislation comes at a time when [redacted] more difficult [redacted] banks, especially those that specialise in portfolio management and dealing, than [redacted] has been for the last couple of years. [redacted] one has been surprised by the slide in the stock market in [redacted] weeks. [redacted] increases, it was difficult [redacted] expect the upward trend to continue, but the bond [redacted] slump has [redacted] more upsetting.

The whisper in Swiss banking circles is that damage repair will be necessary over the next few months if clients' portfolios [redacted] to produce respectable [redacted] in 1994. To judge by the recent sharply downward trend of bank share prices, investors suspect that the banks may have difficulty making their own profits look respectable, too. The encore to the annus mirabilis could be disappointing.

Andrew Fisher visits Esec, the semiconductors company

Market dictates a fast pace

Sales are rising so fast at Esec – a maker of specialised equipment for the semiconductor industry – that the small Swiss company has to be agile to keep up with growth in demand, especially from Asia.

"Every two years, there's a new generation of machines," says Mr Hans-Ulrich Müller, chief operating officer. In between, there are numerous modifications. "We would like to have a slower pace," adds Mr Peter Kilgus, chief financial officer, "but the market will not allow this."

Esec (European Semiconductor Equipment Centre) is based in Cham in the canton of Zug. It has no domestic market and sells most of its die bonding and wire bonding equipment – used to move and connect chips – to manufacturers in south-east Asia and South Korea.

Revenues last year shot up by [redacted] per [redacted] to [redacted] It expects [redacted] to [redacted] by 1996.

[redacted] the private [redacted] is the [redacted] supplier [redacted] equipment; it [redacted] adding [redacted] assembly system to link the stages of the bonding [redacted] computerised manufacturing cells.

> '[redacted] is still booming and [redacted] expect [redacted] in business there'

[redacted] heavily [redacted] in [redacted] Almost 20 per [redacted] go on [redacted] development, [redacted] occupies some [redacted] of [redacted] R&D [redacted] in [redacted]

[redacted] are [redacted] chip [redacted] puter [redacted] They [redacted] Intel, [redacted] IBM, AT&T, Motorola, [redacted] and National Semiconductor [redacted] the US, as well [redacted] Hyundai and Samsung [redacted] Korea. Much of the equipment sold [redacted] the US [redacted] for their [redacted] in Asian countries such as Malaysia, [redacted] Philippines, Hong Kong, Singapore, Thailand [redacted] China.

It [redacted] from [redacted] that the main impetus for growth now comes. Last [redacted] in [redacted] totalled [redacted] of the [redacted] jump from [redacted] per cent the previous year); [redacted] Korea, [redacted] for a further 4 [redacted] cent.

[redacted] Europe – [redacted] customers include Siemens and [redacted] – dropped to 19 [redacted] from [redacted] cent, with [redacted] in [redacted] US accounting [redacted] 15 [redacted] cent [redacted] cent). "Asia is still [redacted]ing and we [redacted] quite a substantial increase in business there," adds Mr Kilgus.

Its success in Asia [redacted] not, however, extend [redacted] the Japa[redacted] market. Nearly half [redacted] the world's semiconductor industry [redacted] in Japan, notes Mr Kilgus. "But it's very tough for foreign companies to get in, especially in our sector."

Esec's main product is the die bonder, for which it claims to be the biggest world producer with 35 per cent of the world market. It has 6 per cent in the newer wire bonding sector, but plans to reach 25 per cent (and top market position) in two years.

Esec has no intention of moving from Switzerland. "Salaries [redacted] high but there [redacted] good education and motivation," [redacted] Mr Müller. Esec [redacted] people from [redacted] technical universities and [redacted]

Max Koch founded his company, Komax, on a bright idea

Wiring up the car industry

[redacted] was [redacted] electrical engineering [redacted] in Zurich, [redacted] idea of making speed [redacted] units for cars. [redacted] was 1975, [redacted] time of oil crisis and motorway [redacted] limits. Demand [redacted] product took off.

Koch, now 44, set up a com[redacted] to [redacted] units. [redacted] they needed lots of wires, he designed [redacted] built a special [redacted] processing machine. Today, [redacted] – Komax, a word play on his name – is the world's largest supplier of such machines, selling to the world's biggest car [redacted] and suppliers.

[redacted] initially supplied machines to cut and strip [redacted] cables for the home [redacted] industry. Customers included big Japanese names such as Hitachi and Sanyo.

In 1981 it [redacted] the motor business, which now accounts for more than half of sales. As well as [redacted] for cutting, slitting, crimping and notching [redacted], Komax also makes wire processing centres [redacted] produce [redacted] cable [redacted] for [redacted]

[redacted] 70 [redacted] cent of [redacted] pro[redacted] – the company is based in Dierikon near [redacted] – with [redacted] per [redacted] in [redacted] US. The rest is in low-[redacted] Portugal, where a new plant supplies the local operations of companies including General Motors and Siemens.

Koch: concentrating on strategy

With the rapid growth of electronics in cars, Koch sees new opportunities. The increasing popularity of anti-skid brake systems (ABS) and airbags, for example, means more sensors to control these and thus [redacted] wires.

[redacted] present, Komax has around [redacted] cent of the [redacted] for wire processing [redacted] in Europe [redacted] nearly [redacted] third worldwide. In [redacted] US, busi[redacted] grew by almost 40 per [redacted] year, although [redacted]sion has slowed performance in Japan and Germany.

Like other [redacted] compa[redacted] with profitable niches in [redacted] markets, [redacted] spends heavily on research and development: between 10 and 12 per cent of its SFr75m turnover.

With [redacted] in Europe, where business declined by 10 per [redacted] year, [redacted] decided to modernise its product line in readiness for the next upturn. Its new [redacted] of [redacted] processing equipment is fully automatic, with colour graphics, [redacted] quality [redacted]trol systems and simplified controls. Koch is more optimis[redacted] prospects for [redacted] in [redacted] year. [redacted] growth [redacted] 10 per cent in Europe. "Companies can stop buying for one or two years, but not for long".

Nearly [redacted] of Komax's [redacted] in Asia, with [redacted] come. [redacted] machines will be developed for specific markets. "In the past, [redacted] European machines to the US and Asia."

Koch [redacted] confident enough about [redacted] company's strength to bow out of the day-to-day running of the company in order to concentrate on strategy and innovation. He is now chairman, with a new chief [redacted] brought in from outside.

"When I was 35, I decided to be [redacted] the operating side when I was 40. I did it at 39."

Andrew Fisher

■ TOURISM

Times are tough

Times are tough in Switzerland's important tour[illegible] business.

Bed-nights, a key index [illegible] the industry, have been [illegible] a downward trend for four years. And that followed [illegible] decade of near stagnation.

[illegible] for example, the number of bed-nights sold fell three [illegible] cent to [illegible] and there is no sign of an upturn. The [illegible] National Tourist Organisation (SNTO), the national promotion body, [illegible] another two per cent decline this year.

This is bad news for the country's third largest industry after machinery and chemicals, and for the roughly 350,000 people [illegible] make their living from it. Hotel [illegible] a relatively fre[illegible] and [illegible] phenomenon and unemployment in the [illegible] rising rapidly.

The reasons for the decline are now fairly [illegible]. Recently, the recession in [illegible]ern Europe, not [illegible] in Switzerland itself, has [illegible]. Last [illegible], [illegible] fall in [illegible] hos[illegible] at [illegible] per cent was [illegible] than the [illegible] in for[illegible] visitors.'

The [illegible] European currencies against [illegible] franc was obviously another [illegible]. The number of bed-nights taken [illegible] by [illegible] tumbled by nearly [illegible] quarter [illegible] year.

But industry leaders [illegible] short term cyclical factors [illegible] work. Even [illegible] plays a significant role. Warmer and shorter winters [illegible] hurt those areas [illegible] winter sport holidays.

The association [illegible] lift operators reported recently [illegible] shrank from 120 days in 1970 to 110 days in 1991.

More important, Switzerland has clearly lost ground in the past decade to Austria which offers tourists the same sort of "products". A recent survey [illegible] Germans, for example, revealed that Austria [illegible] clearly preferred [illegible] Switzerland as [illegible] holiday destination.

There [illegible] much debate about why this is so, but [illegible] lot of it is put down to intangible [illegible] – such [illegible] the tendency of [illegible] hire more immigrants, thus undermining the Swiss ambience.

The SNTO itself has come in

Hayek accepted that exclusivity and quality should [illegible] the aim

[illegible] a [illegible] of criticism [illegible]ing lethargic and bureaucratic in the face [illegible] crisis. Last year, the federal government, which underwrites [illegible] the SNTO's costs, finally [illegible] radical action [illegible] shake [illegible] up.

It [illegible] Hayek, [illegible] known as the head of [illegible] Swatch-making [illegible] group SMH, [illegible] the SNTO and produce [illegible] to make it more [illegible].

In October, Hayek produced [illegible] report, recommending [illegible] heads, with the savings together with larger contribu[illegible] members [illegible] be redi[illegible] to [illegible] professional and more [illegible] promotional [illegible].

He accepted [illegible] Switzerland [illegible] with [illegible] aim [illegible] provide exclusivity [illegible] quality mainly [illegible] the professional and leisure [illegible]. For one thing, it has the experience and [illegible]ties that appeal to [illegible]ple. For another, the Swiss franc is likely to remain strong, preventing the country from competing with others on price alone.

But he said the country's image abroad had become rather dowdy. Like [illegible] watch industry a decade [illegible], it needed to be polished and made more joyful.

Mr Walter Leu, SNTO director general, [illegible] the SNTO staff has already been [illegible] by a fifth and [illegible] new president [illegible] expected [illegible] appointed shortly. Foreign [illegible] have [illegible] shuffled to reflect changing [illegible] potential. The San Francisco [illegible] has been [illegible] into the one in Los Angeles. Buenos [illegible] Sydney offices [illegible] been closed, and new ones have been opened in Berlin and Hong Kong.

Mr [illegible] he is [illegible] working on getting the organisation's 500 members to provide more funds. [illegible] the moment, [illegible] organisation [illegible] annual revenue of SFr36.7m [illegible] which [illegible] Government pro[illegible]. [illegible] would like to [illegible] members' contributions rising to [illegible] SFr15m and ultimately even more.

"It [illegible] our ambition [illegible] to depend heavily [illegible] government," [illegible], pointing [illegible] members who ultimately [illegible] from the organisation's [illegible].

Industry [illegible] country [illegible] welcomed what they [illegible] be the long overdue shakeup [illegible] SNTO. But being Swiss, they will probably [illegible] before [illegible] into their pockets [illegible] support [illegible] it.

John Braun

Relations with the European Union

Still reluctant to join

In trying to nudge Switzerland closer to formal European integration the Swiss government is having as much [illegible] as Sisyphus in the Greek myth. Yet, like him, it is condemned to keep trying.

Situated in the heart of western Europe and intimately bound [illegible] it by history, culture and strong economic ties, Switzerland cannot divorce its destiny from that of its powerful neighbours. The only question is whether [illegible] can influence the outcome more effectively inside European political and economic structures [illegible] outside them.

While the economic [illegible]ments seem to point firmly in the direction of increased integration, [illegible] political hurdles are formidable [illegible] fiercely independent nation built on three constitutional pillars [illegible] permanent neutrality, direct

Berne spent much of [illegible] in [illegible] damage-limitation [illegible]

democracy and local auton[illegible].

In [illegible], after much hesitation, the Swiss coalition government finally took the plunge and deposited Switzer[illegible] membership application with [illegible]. The following December, [illegible] narrowly [illegible] to join the [illegible]pean Economic Area (EEA), which since January [illegible] allowed [illegible], services, capital and labour [illegible] circulate freely between the EU and five fellow members of [illegible] European Free Trade [illegible] (Efta).

Switzerland's EU membership application [illegible] put on ice, [illegible] Berne spent much [illegible] in [illegible] damage-limitation [illegible]. In [illegible] lobbied for bilateral negotiations in areas [illegible] vital [illegible] in [illegible]zerland [illegible] as transport [illegible] participation in EU research programmes.

At home it launched an [illegible]nomic revitalisation programme to make Swiss laws and practices more Eurocompatible and [illegible] boost competition in domestic markets. Attempts were made to heal the rift between French-speaking Swiss, who voted overwhelmingly for the EEA, and German speakers, who firmly rejected it.

When last November Swiss [illegible] approved introduction of [illegible] Eurocompatible value-added tax, this was rashly seen by some as proof of a pro-European shift in public opinion. Then came February's unexpected referendum decision to ban transit freight from Swiss roads within 10 years. Though billed as a vote to save the Alps from annihila[illegible] by lorry traffic, [illegible] move has infuriated Switzerland's neighbours.

As a result of the vote, relationships with Brussels [illegible] gone from cool to frigid. Switzerland has once again been branded an untrustworthy negotiating partner.

The start of bilateral negotiations on transport, scheduled for April, may be delayed. European transport ministers, some of whom have muttered darkly of retaliation, are in no mood to give the Swiss an easy ride.

Swissair, the national carrier, which is seeking access to EU open skies, could become an early casualty. Brussels will also be demanding a relaxation of existing Swiss lorry [illegible] return for better [illegible] to the EU road haulage market for [illegible].

[illegible] generally, the EU [illegible] to prevent [illegible]land securing full EEA benefits too cheaply.

Agreement to Switzerland's bilateral negotiating agenda has been made contingent on parallel negotiations on [illegible] EU slate that includes the highly sensitive issue of Swiss immigration restrictions and import curbs on EU agricultural produce.

Supporters of EU entry, with an eye to concessions won by Austria and the three Nordic applicants for EU membership, argue that Switzerland would secure a better balance of benefits inside the Union, including a say, albeit limited, in formulating EU rules and policies.

Pro-Europeans, who include most of Switzerland's political, business and financial establishment, also point to economic studies suggesting that joining the EU could add half a percentage point to annual economic growth. Staying out will inhibit exports, intensify the long-term trend to shifting production abroad – sometimes just across the border in France or Germany – and insulate protected inefficient domestic markets, they argue.

Swiss Eurosceptics dismiss the pessimism, claiming that Switzerland has already reaped big benefits by staying out of the EEA. They believe the No vote, [illegible] underscoring Switzerland's economic and financial independence, was a contributory factor behind the huge influx of foreign funds last year.

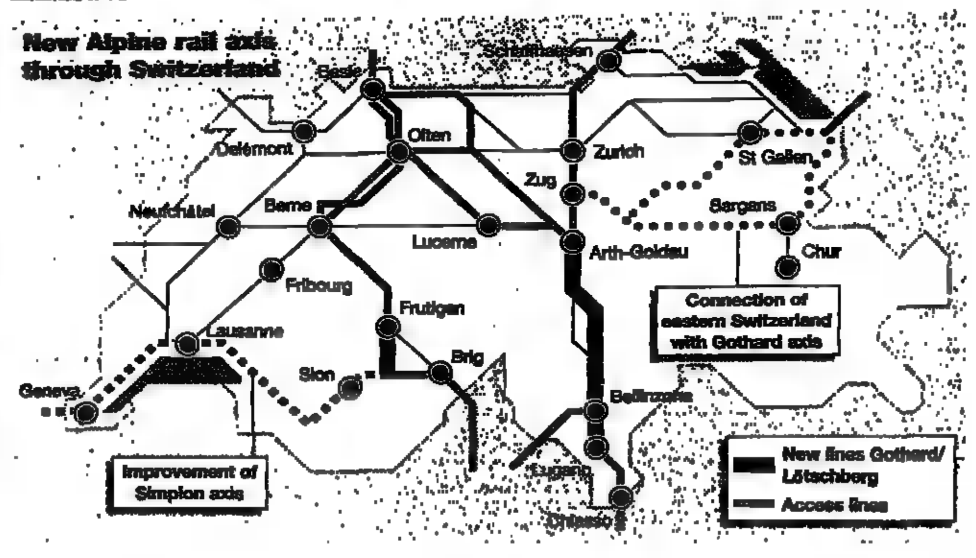
As a result, the Swiss stock market was one of Europe's best performers in 1993 and the strong Swiss franc allowed interest rates to fall steadily, helping the Swiss economy to pull slowly out of recession. Inflation is low and the balance of payments is in record surplus.

Despite these arguments, the government's white paper on foreign policy in the 1990s, published last December, insists that full EU membership must remain a long-term goal. Mr Flavio Cotti, Switzerland's foreign minister, has said he hopes the country could be a member by the year 2000.

Berne says there will be no attempt to negotiate membership of either the EEA or the EU until after the next federal elections in October 1995. By then Austria, Finland, Norway and Sweden may be inside a 16-member EU, leaving just Iceland and Liechtenstein as the only outsiders in the EEA.

In that event, Switzerland can be expected to head straight for Brussels. Whether it arrives is another matter.

Frances Williams



John Braun reports on plans for new Alpine tunnels

Ban it and bore on

The [illegible] their neighbours again [illegible] month by voting [illegible] ban on transit lorry [illegible] through the Alps to take effect in 2004.

Initial reactions [illegible]ied from [illegible] that [illegible] Swiss were apparently putting [illegible] fences [illegible] keep [illegible] the neighbours.

[illegible] then, Swiss leaders [illegible] been at pains [illegible] emphasise that [illegible] is not their goal. They want [illegible] much to be [illegible] neighbours, but [illegible] their [illegible] to be [illegible] of [illegible] concerns.

[illegible] of [illegible] main concerns these days [illegible] trying [illegible] the pollution caused in [illegible] narrow Alpine valleys by transiting German, Italian [illegible] European lorries.

Switzerland's proposed solu[illegible] this problem [illegible] not just [illegible] ban [illegible] lorries. Rather [illegible] proposing a bold expansion [illegible] national rail [illegible] a rejigging of [illegible] charges to encourage all shippers to choose [illegible] than [illegible] road for moving their goods through [illegible] Alps.

At the heart [illegible] plan is the AlpTransit Project [illegible] NEAT (Neue Alpen-Transversale) approved by [illegible] in [illegible] referendum in September, [illegible].

It [illegible] of [illegible] high speed north-south rail lines through [illegible] country connecting [illegible] Milan. Officially, [illegible] project is [illegible] SFr14bn, but [illegible] deny that [illegible] will [illegible] much greater, perhaps [illegible] that amount, which would [illegible] it about three [illegible] expensive as [illegible] Channel Tun[illegible] project.

The main [illegible] Alp-Transit would [illegible] two new so-called [illegible] rail tunnels through [illegible] Alps, with [illegible] reflecting the idea [illegible] keeping the tunnels [illegible] so that trains can [illegible] through them at speeds up [illegible] 200km [illegible] hour.

One line would [illegible] drilled under [illegible] highly [illegible] transit [illegible] today. The [illegible] through [illegible] Lötschberg south of Bern and continue on [illegible] rail tunnel [illegible] the Simplon [illegible].

Planners [illegible] it should be possible [illegible] hours off the journey time between [illegible] and Milan, making the railway a much more competi[illegible] of transit [illegible] without the lorry ban.

AlpTransit will be a huge civil engineering operation. The project will, [illegible] other things, [illegible] drilling one of the world's longest twin-tunnel, single-track developments – the 57km Gotthard base tunnel – comparable in length with Eurotunnel.

Tunnelling will take place [illegible] depths of more than [illegible] under the higher mountains, incur[illegible] such difficult [illegible] problems [illegible] extremely high rock pressures and stresses – [illegible] attendant [illegible].

Test borings began last year, but serious exploration work [illegible] only due to start this year following selection of contractors from an international tender process that began last autumn.

In addition [illegible] the Gotthard [illegible] Lötschberg tunnels, [illegible] project includes substantial

Connections from eastern Switzerland will also be upgraded

upgrading to the Simplon [illegible]nel rail line and improvements to the Rhone valley rail line to connect with the French high speed rail network at Geneva.

Connections from [illegible] Switzerland will [illegible] upgraded. A new line is planned [illegible] Lake [illegible] Zurich [illegible] (Waedenswil/Au and Thalwil). [illegible] will run in [illegible] tunnel [illegible] the Hirzel and Zimmerberg [illegible] Zug.

The management [illegible] the projects [illegible] in the hands of the two leading [illegible] railway companies, [illegible] Federal Railways [illegible] on [illegible] Gotthard line, and the Berne-Lötschberg-Simplon Railway (BLS) on [illegible] Lötschberg-Simplon line. Early this month they formally requested [illegible] government approval of their [illegible] proposals, together with [illegible] vari[illegible] that would [illegible] but [illegible] disturbance in sensitive [illegible].

In the time honoured [illegible] way, a long [illegible] of consultation will now commence, so [illegible] the final decisions on routes are only likely to [illegible] taken around [illegible] end [illegible]. Then [illegible] will be issued [illegible] the main design [illegible] construc[illegible] contracts. The actual work [illegible] expected [illegible] begin in 1996 with completion scheduled [illegible] 2007.

Although the Swiss have undertaken [illegible] bidding to foreign companies, [illegible] is little doubt that [illegible] companies will dominate both [illegible] project management [illegible] work itself.

[illegible] part, [illegible] protectionism [illegible] reflects the [illegible] experience [illegible] drilling tunnels through [illegible] hard [illegible] the Alps, dating back to the [illegible] when the first [illegible] tunnel [illegible] pierced through the Gotthard.

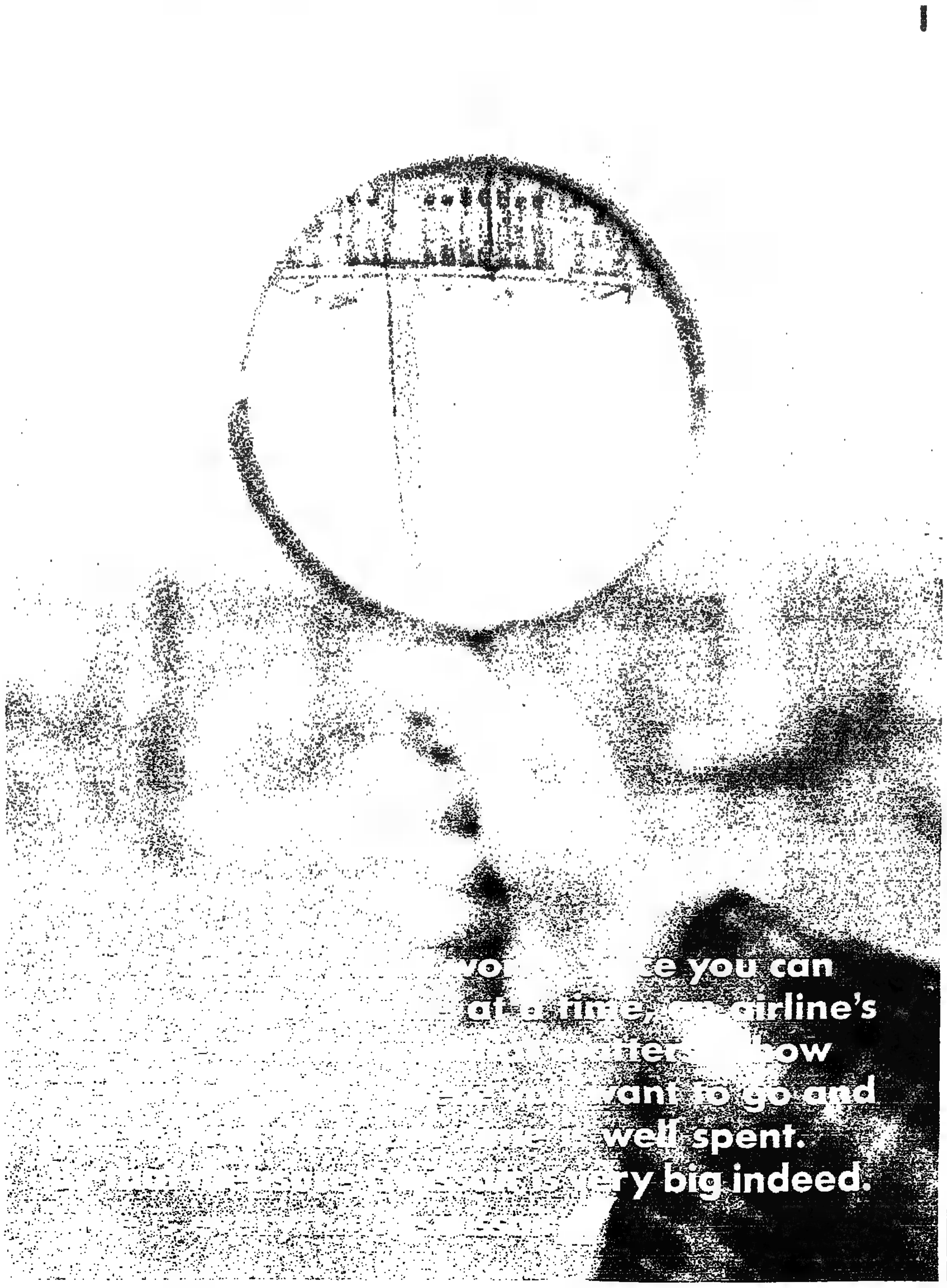
However, the sheer scale of the project means that [illegible] Swiss engineering [illegible] con[illegible] industry [illegible] will [illegible] nothing like enough equipment or [illegible] carry out the work. They will [illegible] take on [illegible] lot of [illegible].

It [illegible] generally agreed that Italian and French companies [illegible] placed to win contracts as [illegible] long experience [illegible] working in Switzerland and with Swiss companies. British and other foreign companies that [illegible] less experience of working in [illegible] country are being advised [illegible] promising way of approaching the project is to join consortia led by [illegible].

Unfortunately, even if the AlpTransit project [illegible] completed on time, it will [illegible] come on stream until after the lorry ban is in force. Swiss officials [illegible] plenty [illegible] capacity at [illegible] moment, [illegible] minor improvements being [illegible] in the existing Lötschberg and Gotthard tunnels should [illegible] that no bottlenecks develop.

But that may [illegible] how quickly and extensively [illegible] and Europe as [illegible] the concept [illegible] environmentally friendly rail transport in [illegible] next [illegible].

On the [illegible] day [illegible] for [illegible] lorry ban, they also [illegible] to impose [illegible] on all [illegible] based on [illegible] distance they [illegible]. If the government exploits [illegible] opportunity provided by this measure, [illegible] railway could soon become [illegible] more economical means of transport as well as the [illegible] environmentally friendly one.



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FINANCIAL TIMES

COMPANIES & MARKETS

Monday April 11 1994

Ford considers global project with Mazda

By John Griffiths

Ford Motor, which has just launched the North American version of [illegible] "world car", [illegible] considering with Mazda [illegible] Japan a more far-reaching "global" car project.

[illegible] concept [illegible] carried through, Ford's European engineering departments would lead the development of [illegible] replacement for the Ford Escort range which would be built and sold by both Ford and Mazda from early in the next century.

Ford and Mazda would [illegible] sourcing of components, from [illegible] they could [illegible] supplied most [illegible]fectively. The cars would have cosmetic differences – as with the Mondeo and its just-launched North American counterpart the Contour – but [illegible] share the main under[illegible] components such as body platform, engine and gearbox.

Ford has collaborated with Mazda before on car projects, but this is the first time that any two manufacturers have contemplated such a development on a global scale. Its significance goes beyond economies of scale.

[illegible] envisages [illegible] both Mazda's and Ford's north American styling and engineering [illegible] could be [illegible] more efficiently [illegible] complementary projects.

[illegible] would develop [illegible] products, such [illegible] and multi-purpose [illegible] for [illegible] and Ford, [illegible] Ford's [illegible] engineers [illegible] expertise in larger cars to develop similar "world" cars for Ford and Mazda.

[illegible] chairman, Mr Alex Trotman, [illegible] that [illegible] project was [illegible] very much [illegible] "hypothesis" stage. [illegible]less, [illegible] product [illegible] – essentially more firepower for the [illegible] number of battles".

Ford's North American and European Escort ranges share the same name but have few parts in common and are essentially separate models. Both are due for updates in the next three years but these facelifts are also being carried out separately in Europe and North America.

Ford's global drive, Page [illegible]

Poor uptake for Biotech placing

By David Wighton in London

Rothschild Asset Management has raised less than half the original target for its International Biotechnology Trust with the placing of shares with institutions attracting only [illegible] to £40m.

The poor uptake came close to scuppering the launch but Rothschild is pressing ahead with the issue. The public offer opens this week.

Rothschild and sponsor Robert Fleming originally set a target of up to £100m with a quarter [illegible] the [illegible] to private investors. The response is the latest sign of "investor fatigue" in the face of the continuing flood of new issues and follows a number of disappointing investment trust launches.

Morgan Grenfell managed to raise only £64m for its Latin American Companies Trust, compared with a target of £100m, and the total for Edinburgh Fund Managers' similar In[illegible] trust was also below expectations.

Many biotechnology stocks have fallen sharply in recent weeks, leaving several recently floated companies trading well below their offer prices, [illegible] least one biotechnology flotation has been postponed indefinitely. But the disappointing response to the Rothschild launch appears to be the result more of general market conditions than sentiment towards the biotechnology [illegible].

The trust plans to take stakes of £5m-£10m in biotechnology companies by injecting new capital and aims to make 15-20 separate investments.

Robert Corzine finds that low oil prices are provoking an ideological debate

Ambiguous signals in volatile market

Arguments over the direction of oil prices have taken on the tone of an almost philosophical debate on whether a symbolic barrel of oil is half full or half empty.

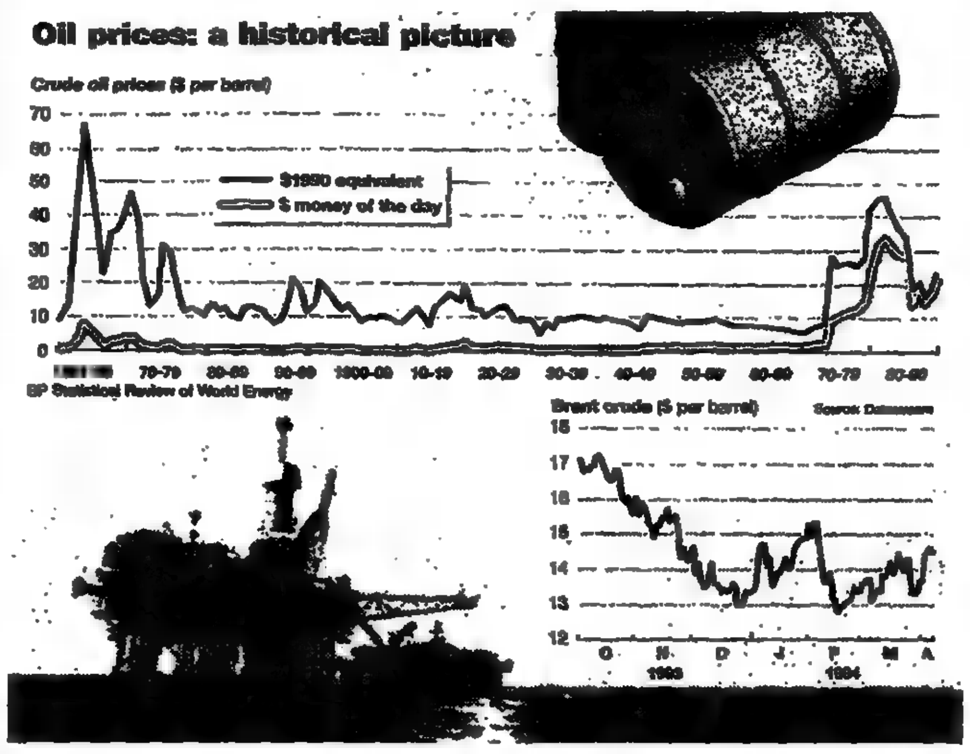
Optimists, having taken heart at last week's price rally sparked off by the entry of hedge and commodity funds into oil futures' markets, say current price levels are too low. They point to the fact that, in real terms, oil prices at the $13-$14 level for the benchmark Brent Blend are about the same as before the first oil shock in 1973.

And current prices, they add, do not reflect oil's special status as a scarce and strategic commodity. Low prices simply reflect a temporary glut caused by [illegible] production from [illegible] as [illegible] UK [illegible] Norway [illegible] Organisation of [illegible] Exporting Countries.

That view is one which both Opec oil ministers and the chairmen of western oil companies like to hear. But it is one [illegible] thoughtful [illegible] them may [illegible] longer [illegible].

As a recent report from brokers Société Générale Strauss Turnball put it: "Throughout [illegible] history of [illegible] oil industry, one of the few constants ... is the tendency for producers in aggregate to supply more than the market can bear ... The underlying and inherent tendency is for oil prices to decline over time."

The present volatility in oil markets is as much a reflection of the ideological divide within the industry, as the consequence of short-term shifts in the supply/demand balance. And that volatility is likely to increase in coming months as the implications of Opec's present policy and the presence in the markets of the hedge funds become clearer.



The prospect of additional abrupt price swings is now a very real one because of the market's uncertainty over the future strategy of the funds. Mr Robert Mabro, of the Oxford Centre for Energy Research, says: "They are a new factor in the oil price picture," and one which will make "predicting price movements even more difficult."

The presence of the funds also means that oil prices in New York and London will be influenced by events in other markets. Mr Mabro notes that the withdrawal of the funds from oil markets late last year in search of opportunities in rising stock and bond markets accelerated the fall in oil prices.

"The question now," according to Cambridge Energy Research Associates in Paris, "is whether fund managers will hold their positions until market fundamentals improve ... or whether they will sell off if near-term prices weaken, thereby adding to market volatility."

The volatility [illegible] already been [illegible] by Opec's decision [illegible] maintain its [illegible] barrels a day production ceiling [illegible] for the [illegible] of the year.

The second quarter of [illegible] year [illegible] usually [illegible] Opec [illegible] the deepest [illegible] in output [illegible] demand due to [illegible] northern hemisphere winter. Opec delegates at [illegible] meeting in [illegible] last month [illegible] that [illegible] strategy of rolling [illegible] the production ceiling could [illegible] prices in [illegible] short-term, although they [illegible] rising demand would [illegible] to a [illegible] market [illegible] in [illegible] year.

Mr Mabro points out, [illegible] rise. If [illegible] want a price rise, [illegible] strategy [illegible] be [illegible] unbalance [illegible] market." [illegible] also believes Opec's policy will lead to considerable price volatility well beyond the second quarter. "If you fix the volume for a long time you get increased volatility [illegible] changes in demand," he [illegible].

Another factor which could affect prices in the longer term is the apparent willingness of oil markets to question the degree to which Opec producers deserve the considerable "rent" they [illegible] today's prices. With production costs [illegible] only a dollar or two per barrel in many of the Gulf states, the profit margins from most Opec producers are substantial. The entry of the funds into the oil futures' markets has been interpreted by some as a sign that irrespective of long-term movements, short-term price trends may now be upwards. But many traders warn against reading too much into the timing of the funds' move.

"They [the funds] were just scrambling around for a market where the prices were low," and where they saw an opportunity to manipulate the market, said one oil company trader in London. "They just caught everyone unawares."

Kashima resignation, Page 18
Neste reports loss, Page 18

Accounting body tackles property lease gains

By Bernard Gray in London

[illegible] UK's Accounting [illegible] Board is expected to [illegible] changes to the reporting of company profits from property leases, in the wake of heavy losses incurred by Pentos, the speciality retailer.

Pentos, which includes Dillons bookstores and the Athena poster shops chain, expanded rapidly during the recession. The Dillons chain received substantial payments from landlords for taking on long-term leases. These payments, known as reverse premiums, were then included in general profits. Pentos would have reported a loss in 1992 if it had not had the benefit of £8.3m in reverse premiums.

The company recently announced that it had lost £71m ($104m) in 1993, passed [illegible] dividend [illegible] a £45m rights issue.

Now the ASB is considering how the practice of reporting profits on reverse premiums can be altered. Any move would also affect many other retailers which have expanded in recent years. The ASB said that an "urgent issues" ruling may be published in the next two [illegible].

Detailed proposals [illegible] being discussed, but changes [illegible] forcing companies [illegible] spread [illegible] of [illegible] payment from landlords over the [illegible] five [illegible] the lease. The ASB is [illegible] debating whether to require companies to [illegible] explicitly the [illegible] they have received in reverse premiums. [illegible] of [illegible] incentives, [illegible] as landlords' contribu[illegible] shop fittings [illegible] also [illegible].

The review was welcomed by investment analysts. Mr John Richards, retail analyst at NatWest Securities, commented: "There is nothing wrong per se with retailers taking advantage of landlords' offers, they would be silly not to do so. What can be wrong and danger[illegible] if such financial inducements lead to over-expansion and the distortion of financial performance."

[illegible] Securities sparked controversy when it first drew attention to a potential problem [illegible] premiums at [illegible]. Now, in new research published today, the broker argues that [illegible] retailing companies may [illegible] from the reverse [illegible]mium incentives.

Retailers have also enjoyed rent-free periods on new stores. These, too, may have boosted income in an unsustainable way with a sharp drop in profits occurring once the full rent [illegible] payable.

Markets this [illegible]

Starting on [illegible]

MARTIN DICKSON:
GLOBAL INVESTOR

Did last Tuesday's big jump in the Dow Jones Industrial Average signal a market turning point? Statistically, it [illegible] in line with the historical average for a market correction. But this comforting picture could be a little too neat. Page 20

GERARD BAKER:
ECONOMIC EYE
A new spring ritual has been added to Japanese cultural life: spotting the economic recovery. The last two spring revivals have disappeared with the cherry blossoms. Will this upturn prove more durable? Page 20

Bonds:
The Bundesbank council meets on Thursday and German government bond traders are hoping for a high-profile cut in official interest rates. Page 22

Equities:
Wall Street analysts are [illegible] confident that the [illegible] of the volatility is over. But recent [illegible] may still lurk below the surface, and the corporate results season could bring fresh complications. Page 23

Emerging markets:
India is preparing for its biggest international issue. Videsh Sanchar Nigam, the state-controlled telecoms utility, wants to raise $1bn in Euroequity. Page 21

Currencies:
Attention will revert to the yen as investors seek to assess the impact of the resignation of Mr Morihiro Hosokawa, the Japanese prime minister. Page 21

STATISTICS

This week: Company news

GOLD FIELDS

Mishaps unlikely to tarnish improved trend

The ritual [illegible] African [illegible] mines' quarterly results kicks [illegible] tomorrow with the publication of the latest figures for Gold Fields of South Africa.

After displaying improved results for the first six months, following a four-year slide in earnings, the company's third-quarter numbers – along with those of most of the other big mining houses over the next two weeks – are generally expected to follow this favourable trend.

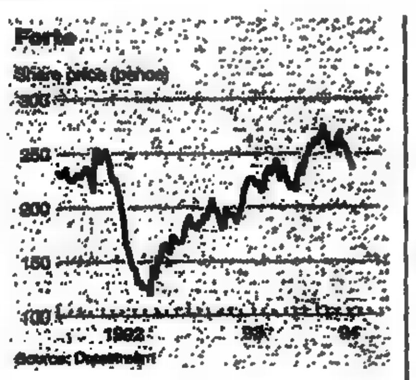
Nevertheless, analysts note that Gold Fields has been hampered by recent mishaps at key mines, including a shaft accident at Kloof and fires [illegible] Driefontein, the country's most profitable gold mine, although they do not feel this will significantly affect the overall picture.

Offsetting this, the company will have benefited from its aversion to forward hedging, which has allowed it to take advantage of the improved spot price for gold, the effects of which have been magnified by [illegible] steady drop in the value of the rand against the dollar, in the light of political uncertainty.

Overall, the results are likely to be in line with the previous quarter's after-tax profits of R387.7m ($110m). However, Mr Bruce Williamson, of brokers JD Anderson, warns that after three years of strict cost containment, some mines may have taken advantage of the improved environment to implement delayed capital expenditure, thus distorting the short-term picture.

A recent R8m judgment against Gold Fields for unfair dismissals may [illegible] affect the results, if the company chooses to write off the sum in the current quarter.

In the longer term, given Gold Fields' traditionally confrontational labour relations, some analysts are wary of its prospects under the probable government of the African National Congress.



FORTE

Ready for a push on the continent

Forte's figures for the year to January, to be announced on Thursday, cover an eventful period for the UK's leading hotels group. Its disposal programme has left it poised to pursue expansion into continental Europe.

Disposal gains will distort the headline figures, but underlying pre-tax profits are expected to rise from £71m to £85m-£90m – after [illegible] reduced interest bill that still stands [illegible] roughly £100m.

Profits from continental Europe [illegible] expected to be unchanged, with good improvements from the UK hotels.

Analysts will be eager to hear about trends in rates and occupancy levels, but some are concerned about the effects on US visitors of the IRA mortar attacks on Heathrow.

Further asset write-downs are expected – following [illegible] previous year's £344m hit – but the ba[illegible] sheet is now much healthier thanks to disposals, including the £177m injection from the flotation of the Alpha Airports catering and duty free retailing business in February.

This has given it the wherewithal to enter the bidding for Air France's Meridien chain after its offer for the Aga Khan's Ciga hotels was trumped by Sheraton.

Following the dividend cut last year analysts expect maintained payments of 7.5p which are still unlikely to be covered by underlying earnings per share.

OTHER [illegible]

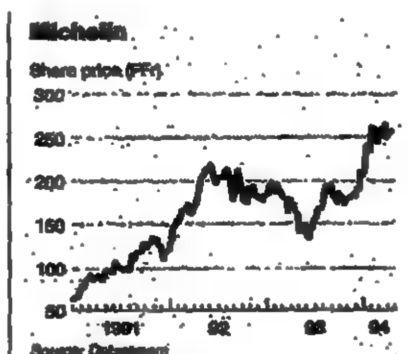
Daimler shareholders hope for comfort

Having been obliged to swallow [illegible] 38 per cent cut in the 1993 dividend, announced last Thursday, Daimler-[illegible] will be looking [illegible] to more palatable news from the pride of German industry at its results press conference tomorrow.

After a DM2bn ($1.16bn) loss at nine-months, according to US accounting principles, the 12-month numbers should show some beneficial effects of newly introduced cars, ditto the first quarter of this year. Since no one expects anything from AEG or Deutsche Aerospace until next year, much is riding on the salesmanship of Mercedes boss, Mr Helmut Werner.

■ Audi: Under orders from the Volkswagen group's demanding chief, Mr Ferdinand Piëch, the Audi board is expected to present an upbeat view of prospects at its press conference on Thursday. High hopes are attached [illegible] the marque's lightweight aluminium model for heavyweight executives, and to its performance estate (made by Porsche). The bad news is that while other German car marques are forging ahead in the US market, Audi is still [illegible] in reverse.

■ Michelin: The world's largest tyre manufacturer announces its 1993 results on Wednesday and is expected to report substantial [illegible] The French group suffered [illegible] net loss of FFr3.19bn ($540m) in the first six months, resulting from the downturn in the European automobile industry [illegible] exceptional restructuring charges. At the time of a capital issue earlier this year, however, the group said it was seeing signs of recovery in the international tyre market.



■ Accor: The French hotels and tourism group will also announce last year's results on Wednesday. The group, which has been hit by recession and fierce competition in the international hotels business, has warned that it expects to show a decline in profits. Estimates of net income range from FFr550m to FFr650m ($110m), depending on exceptional items, compared with FFr802m in 1992.

■ UK companies: Burmah Castrol, the lubricants, chemicals and fuels group, is expected to report 1993 pre-tax profits of about £186m today, up from £179.6m, despite tough [illegible] in Germany which accounts for about 20 per cent of sales. Tomorrow, Tesco, the UK's second largest supermarket group, is expected to announce a fall in annual pre-tax profits from £581m to £520m-£580m, after new depreciation policies but before one-off charges. The Savoy Hotel group, which also includes the Connaught and Claridge's, is expected to report little better than break-even figures on Wednesday.

Companies in this issue

COMPANIES AND FINANCE

Shareholder pressure grows for top board changes as big write-offs revealed

Aegis directors expected to quit

By Andrew Jack

Up [redacted] three directors of Aegis, the London-based holding [redacted] pany of Europe's largest media buying and planning group, are expected to depart in the next few months following growing shareholder pres[redacted].

The details [redacted] as the company was preparing to reveal exceptional write-offs of up to £40m in its 1993 results, due on Thursday.

Underlying performance is expected to [redacted] in line with City forecasts, but the [redacted] likely to report a substantial one-off charge for the restructuring [redacted] with Warburg Pincus, the [redacted] investment firm which owns 32 per cent of the [redacted].

Aegis has come under criticism from analysts and investors for the strongly French management of [redacted] company that has increasingly diversified its operations and profits away from [redacted] country and is [redacted] listed only in London.

Mr Michel Lefebvre, [redacted] financial officer, is believed to be [redacted] departing, [redacted] headhunters are seeking out replacements for him and [redacted] further two directors.

In addition, Mr Charles Hochman, [redacted] may retire by the [redacted] of next year.

Several [redacted] redundancies [redacted] senior staff [redacted] the French operations [redacted] expected to be announced shortly, in [redacted] to [redacted] job [redacted] in the past [redacted].

Last [redacted] the [redacted] announced its intention [redacted] move from [redacted] lavish headquar[redacted] in Avenue Raphael in [redacted] tral Paris [redacted] La [redacted] within the next [redacted] months.

The [redacted] will [redacted] Aegis several [redacted] pounds in [redacted] standing [redacted] payments [redacted] of expensive [redacted] fittings. Last year the com[redacted] also sold its [redacted] corpo[redacted] jets.

Further exceptional write-[redacted] of more [redacted] £10m are likely [redacted] shown in the [redacted] as [redacted] of a restatement of the cost of [redacted] company's £102m in [redacted] and [redacted] which were part of the refinancing last October.

Recasting the figures in the accounts using FRS 4, the new financial reporting standard on capital instruments, [redacted] trigger [redacted] on [redacted] of nearly £7m [redacted] refinancing costs of more [redacted].

Next stage in GKN rights

By Tim Burt

GKN, [redacted] engineering [redacted] industrial [redacted] is today expected [redacted] invite [redacted] holders [redacted] part [redacted] the [redacted] ond [redacted] rights [redacted] fund [redacted] over [redacted] Group.

The [redacted] signals [redacted] revised 335p [redacted] will [redacted] accepted [redacted] by [redacted] and Schroders, which [redacted] more [redacted] helicopter [redacted].

Their acceptance would [redacted] the engineering group's [redacted] beyond [redacted] 75 [redacted] barrier required [redacted] trigger [redacted] second half [redacted].

[redacted] month GKN [redacted] acceptances for [redacted] of the [redacted] part [redacted] the [redacted] – involving more [redacted] 52m [redacted] of non interest-bearing [redacted] vertible loan [redacted] – [redacted] in [redacted] equal [redacted] 240p.

[redacted] Lees, [redacted] GKN chairman, [redacted] fund-raising [redacted] bid for Westland. [redacted] company rejected [redacted] initial bid, priced [redacted] per ordinary share, saying [redacted] undervalued [redacted] prospects [redacted] potential profits.

Two [redacted] however, [redacted] reluctantly recommended [redacted] offer [redacted] group [redacted].

Intermediate Capital has flotation value of £100m

By Richard Gourlay

Intermediate Capital Group, the niche provider of [redacted] unquoted companies, is to float late next [redacted] in [redacted] placing and intermediaries [redacted] that will [redacted] it [redacted] than £100m.

The [redacted] will raise about [redacted] £18m [redacted] which will [redacted] existing preference [redacted] ers.

ICG [redacted] formed in 1989 and is Europe's largest specialist provider [redacted] mezzanine funds, a layer of [redacted] that lies [redacted] equity and debt in [redacted] risk and reward.

[redacted] business [redacted] UK management buy-outs, where demand [redacted] been steady, and [redacted] buy-outs in continental Europe where there [redacted] been "strong" growth in demand this [redacted], according [redacted] Bartlam, [redacted] of four [redacted] managing director.

The group is [redacted] aiming to lend [redacted] companies seeking development capital, but which [redacted] not need [redacted] pay the high [redacted] implicit in issuing equity.

ICG prices [redacted] loans at about 4 per [redacted] Libor but enhances [redacted] return [redacted] between 16 and 20 per cent by receiving warrants or [redacted] redemption premium.

In January [redacted] also started managing funds for third par[redacted] when Postel provided [redacted] with £20m to invest alongside [redacted] own [redacted] in the mezzanine market. Postel bought a 20 per [redacted] stake, most [redacted] from Westpac Banking, the Australian [redacted].

ICG [redacted] likely [redacted] be regarded by institutions [redacted] yield stock, [redacted] investment [redacted] floated [redacted] month by Legal [redacted] General Ventures. "We [redacted] run for profit and [redacted] growth," Mr Bartlam [redacted] are more a quasi-bank [redacted] quasi-investment trust." Its main competition comes from banks such as NatWest, Samuel Montagu and Kleinwort Benson.

In the year to January 31, ICG had operating income [redacted] £20.6m, of which £11.1m [redacted] sented gains on the disposal of [redacted] in companies that had floated. The previous year's [redacted] £12.5m, of which £5.5m was disposal gains.

[redacted] recognises that pre-tax profits will [redacted] volatile because it has no control over when its [redacted] float. Mr Bartlam said ICG would be looking [redacted] growing [redacted] from core income, while capital gains would strengthen the [redacted] sheet for more lending.

The [redacted] founding shareholders will retain about [redacted] per [redacted] of their [redacted] hold [redacted] 10 and 15 per cent of the company [redacted] the float.

Queue forms to bid for Chunnel rail link

By Andrew [redacted]

The government is aware of about [redacted] planning to bid [redacted] Channel Tunnel rail link, [redacted] yesterday.

Bovis, [redacted] construction subsidiary [redacted] P&O, Ove Arup, the consulting engineer, and Eurorail, [redacted] includes Trafalgar [redacted] and BICC, [redacted] all [redacted] expected to submit tenders.

The Department of Transport would not [redacted] on names, but [redacted] yesterday [redacted] it had received initial expres[redacted] of interest from [redacted] 30 groups, [redacted] which [redacted] a dozen were expected to submit plans.

Pre-qualification proposals must [redacted] submitted by April [redacted] and [redacted] the [redacted] will be allowed to submit full [redacted] will [redacted] made in June. [redacted] must be completed by [redacted] year.

The £3.7bn 68-mile link [redacted] St [redacted] and the [redacted] Tunnel is expected [redacted] be the larg[redacted] joint public-private [redacted] construction project [redacted] decade.

Hays buys Rockall Scotia Resources

By David Wighton

Hays, the [redacted] services group, [redacted] paying [redacted] all [redacted] Resources, a [redacted] storage [redacted] management [redacted] primarily serving the oil exploration industry.

The [redacted] will [redacted] Hays [redacted] in [redacted] records storage [redacted] British [redacted] Management.

[redacted] it [redacted] of £15.4m, nearly half of [redacted] was generated [redacted] a pre-tax profit of £2.1m.

In [redacted] to its oil industry business, Rockall has been expanding into local government and healthcare markets, and has a large contract with the Inland Revenue.

Mr Ronnie Frost, Hays chairman, said the combined business would be well placed to take advantage of the government's policy of contracting out services such as data storage. "Rockall's successful overseas subsidiaries will also pro[redacted] Hays [redacted] a springboard from which to expand [redacted] records management [redacted] overseas."

Companies slightly more optimistic

By David Wighton

Britain's small and medium-sized businesses [redacted] only slightly more optimistic about their prospects than they were six months ago, but there has been [redacted] big improvement in confidence in Spain, according to [redacted] survey by 3i and Cranfield [redacted] of Management.

Expectations [redacted] improved in France, [redacted] mirrors that seen in the UK [redacted] year ago. According to the survey, this suggests [redacted] French companies can expect their [redacted] omy to strengthen in the second half of 1994.

There has been some improvement in [redacted] over [redacted] past six months, but [redacted] companies remain pessimistic [redacted] prospects.

In the UK there has been [redacted] 50 per cent rise in companies seeking external finance.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
SCA (Sweden)	[redacted] (France)	Packaging	£230m	Deal scrapped
Astra (Sweden)	Fujisawa-Astra (Japan/Sweden)	[redacted]	£154m	Bolstering Japanese position
Wolseley (UK)	[redacted] Group [redacted]	Plumbing supplies	£56.9m	Continuing European growth
Smiths Industries (UK)	[redacted]	[redacted]	£21.6m	Expanding industrial arm
Siebe (UK)	[redacted] Group [redacted]	[redacted]	£21m	[redacted] buy
Guardian (UK)	[redacted] Corp (US)	[redacted]	£19m	[redacted]
Rieter Holding (Switzerland)	Firth Furnishings (UK)	Carpets	£9.8m	[redacted] borrowing
Bernard Matthews (UK)	[redacted] Foods	[redacted]	[redacted]	Third buy in [redacted] year
J Sainsbury(UK)/ Esselunga(Italy)/Docks de France/Delhaize Belgium	SEDD	[redacted]	n/a	[redacted]
Powell Duffryn (UK)	Kiggen [redacted] (Netherlands)	[redacted] management	n/a	[redacted] purchase

NEWS DIGEST

Hotel occupancy downturn

According [redacted] survey by consultants, Pannell Kerr Forster, hotel occupancy [redacted] down slightly [redacted] Europe last year. There was [redacted] recovery in the UK but this was more [redacted] by declines in Germany and eastern Europe.

Clydeport [redacted] £2.4m

Clydeport Holdings, operator of port facilities [redacted] the Clyde, returned after-tax profits of [redacted] for the year to end-December.

Despite recessionary conditions [redacted] the Ravensgraig [redacted] traffic, turnover held up well [redacted].

Mr John Mather, chairman and chief executive, [redacted] the "excellent start" achieved by [redacted] company in [redacted] first [redacted] of operation [redacted] continued throughout [redacted].

Kingspan ahead

Kingspan Group, the County Cavan-based building components manufacturer, showed [redacted] marked upturn in [redacted] helped by increased sales [redacted] metal faced composite panels and flexible faced insulation boards.

Profits before [redacted] in the 12 months to end-December jumped [redacted] I£3.1m (£2.98m), compared [redacted] 1992 and [redacted] in [redacted].

The activities mentioned above [redacted] 71 per [redacted] of total sales of I£61.2m (I£53.1m) [redacted] strengthened their position in the [redacted].

An increased final [redacted] of 1.5p [redacted] recommended, making [redacted] total of 2.5p (2.2p) for [redacted] year.

Earnings per share advanced to 9.7p (3.8p).

Medeva agreement

Medeva, the pharmaceuticals company, [redacted] signed [redacted] exclusive agreement to market Wellcome's [redacted] hay fever treatment, Semprex-D, in the US.

Adams Laboratories, Medeva's [redacted] subsidiary [redacted] has a 220-strong sales [redacted] specialising in respiratory products, will start marketing Semprex-D this month on [redacted] of Wellcome's [redacted] arm, Burroughs Wellcome.

Wimpey sale

George Wimpey, [redacted] tion group, [redacted] agreed [redacted] of Wimpol, its [redacted] positioning company, [redacted] Fugro McClelland, [redacted] Dutch engineering consultant.

[redacted] sale for £5.4m [redacted] repayment of inter-company debt, thought [redacted].

Wimpol, based in Swindon, Wiltshire, [redacted] mainly for the offshore [redacted] gas industry, mainly [redacted] Sea, [redacted] Asia and the Gulf [redacted] Mexico.

Wagon's £6.7m expansion move

Wagon [redacted] Holdings, the acquisitive [redacted] handling, engineering [redacted] products group, [redacted] buying [redacted] vehicle components companies [redacted] £6.7m.

Avenell Engineering, [redacted] Oxford, [redacted] Derricott, of Birmingham, [redacted] being acquired [redacted] £500,000 in unsecured loan notes, with [redacted] balance in ordinary [redacted].

This strengthens Wagon's position as a supplier to [redacted] automotive industry.

هكذا من الاصل

هكذا من الاصل

Race for control of Banesto enters final lap

By Tom Burns in Madrid

The [redacted] take control of Banesto, the troubled Spanish bank which the authorities will auction to [redacted] highest bidder at the begining [redacted] next month, has entered its final lap.

[redacted] the weekend Banco Central Hispano (BCH), which [redacted] the biggest domestic bank network, indicated [redacted] was not interested in Banesto. Argentaria, the state-controlled financial group, said that it [redacted] and Banco Zaragozano, [redacted] medium-sized bank, spoke up for the smaller institutions saying it and others [redacted] it might link with [redacted] larger [redacted] in a joint bid.

Mr [redacted] Maria Amusategui, BCH chairman, [redacted] bid for Banesto [redacted] "unlikely". He told [redacted] bank's annual meeting: "We [redacted] our [redacted] the merger process [BCH [redacted] the result of the 1991 union [redacted] Banco Central and Banco Hispano Americano] and, much less, [redacted] on risks."

Mr Francisco Luzón, Argentaria's chairman, [redacted] shareholders the bank had [redacted] to study a bid for Banesto "with [redacted] utmost detail". He told [redacted] annual meeting he was open [redacted] or joint presentation with [redacted] institutions.

Banco [redacted] shareholders [redacted] the annual meeting at the weekend, [redacted] told that [redacted] being held with other medium-sized [redacted] form [redacted] consortium [redacted] a larger bank to bid at the Banesto auction.

Banco Santander, the [redacted] profitable, and [redacted] internationally-based, of the big [redacted] banks, [redacted] kept quiet [redacted] the [redacted] rival contender in the auction. Banco Bilbao Vizcaya. BBV, the second-ranked bank in terms [redacted] size, lent [redacted] following its intervention by the Bank [redacted] Spain [redacted] the [redacted] of [redacted] year.

The [redacted] little time [redacted] in which [redacted] their minds. Under [redacted] of the auction they must declare their intentions, and also [redacted] arrangements, on April 18. They must [redacted] their final [redacted] later. The Bank of Spain is due to announce a decision on [redacted] auction on [redacted]

Crackdown on spread of futures in China

By Tony [redacted] in Beijing

China has [redacted] down on the proliferation of [redacted] markets [redacted] traders, placing a ban [redacted] establishment of new markets [redacted] requiring [redacted] China Securities Regulatory Commission [redacted]

The [redacted] order tightening [redacted] over fledgling futures markets reflects growing official alarm at the spread of poorly regulated exchanges and risks of substantial losses for inexperienced traders.

Mr Zhu Li, [redacted] for [redacted] CSRC, [redacted] industry [redacted] dog, warned that [redacted] experiments could [redacted] nomic [redacted] even [redacted] in [redacted] unrest".

[redacted] futures [redacted] centres [redacted] sprung [redacted] in [redacted] past year or [redacted] commodities' futures exchanges for [redacted] and petroleum [redacted] in Shanghai.

Representatives of [redacted] larger exchanges [redacted] for [redacted] regulation [redacted] govern [redacted] have [redacted]

Mr Zhu [redacted] corporations [redacted] emerged [redacted] are unregistered.

[redacted] CSRC [redacted] "closely [redacted] markets [redacted] report [redacted] the [redacted] on its findings. [redacted] approval will [redacted] re-register with [redacted] Administration for Industry [redacted]

All [redacted] including Sino-foreign joint ventures, [redacted] are [redacted] 50, will [redacted] re-register with [redacted]

[redacted] Council [redacted] clear [redacted] placed [redacted] enterprises [redacted] ing [redacted] trading. [redacted] enforcement agencies would be [redacted] from speculating in the [redacted]

The [redacted] the [redacted] of bank credits in futures trading. Trading in currency futures without permission has also been banned.

Ford Motor chief senses a sea change

John Griffiths examines the group's attempt to become [redacted] truly global force

In less than a fortnight Ford Motor's chairman, Mr Alex Trotman, and his most senior colleagues will be assembling in Toronto to take [redacted] of Ford's accelerating drive [redacted] a truly global [redacted] – and the restructuring needed to [redacted]

[redacted] the opening [redacted] the [redacted] the end of last week, Mr Trotman was playing down mounting media speculation that major management and other organisational upheavals were imminent as an integral part of that drive.

But even though the Toronto meeting is unlikely to result in dramatic headlines – as in the case of the boardroom coup at General Motors, which saw the ousting of former chairman Robert Stempel – Mr Trotman makes clear Ford is undergoing a sea-change which will dramatically alter the nature of its operations by the end of the decade.

"If you're expecting something fantastic to happen at Toronto you'll be wasting a lot of air fares coming," Mr Trotman hinted to the pressmen in [redacted] York. "It's [redacted] management meeting [redacted] traditionally we discuss our problems, such as who's not performing properly. What we call a woodshed meeting."

Nevertheless, he admits that part of the speculation has been caused by "leaks" from study teams, which, he acknowledges "we've been working on for quite some while now on how to improve effectiveness – and yes, some of this we may discuss at the Toronto meeting".

Mr Trotman was in [redacted] York formally to launch the Contour, the North American version of what Ford intends to be its first "world" car, after the failure of an earlier programme to create a Ford Escort "world car" at the beginning of the 1980s.

The Contour's European counterpart, [redacted] been on sale for a year. Ford has spent $6bn on the project. Much of this is on production and research and development which will stand it in good stead for future world projects.

A second "world" project is already under way, at least in the sense that work is proceeding apace on the basic body platform on which the next new range of cars will be built and which [redacted] code-named DEW98.

While Mr Trotman insists that "no final decisions have been made", it is this platform [redacted] expected to provide [redacted] for an intended "small" Jaguar and a replacement for the Granada/Scorpio in Europe, as well as a new mid-size range of cars for Ford's core North American market.

However, it was Mr Trotman's thoughts about how the next Ford Escort may be developed which illustrates in most startling terms what Ford's concept of a truly "global" company means – and how it may extend even to making Mazda of Japan, in which Ford has a 25 per cent stake, a core part of the strategy.

"The next generation [of the Ford Escort] might mean [redacted] we have one development for Ford and Mazda worldwide," says Mr Trotman.

Both the European Escort and the similarly named but separately developed North American model will be updated between now and 1998, and these modernisations do not form part of the global programme." In that sense, 1998 is already history," says Mr Trotman.

"But early into the next century it might be that if Ford developed a common platform for the Escort for Ford and Mazda to use worldwide, it could free up resources at Mazda [redacted] other things. That's the [redacted] the global approach. Traditionally Europe and North America would have designed unique replacements."

Ford's thinking, already far down the road of discussions with Mazda - where Ford recently significantly strengthened its board presence - is that European operations, with their small car expertise, would lead the development of a truly global Escort, to be built [redacted] all markets by both Ford and Mazda.

This would [redacted] not only North American Ford operations [redacted] develop complementary "world' models using their larger car expertise – but would allow Mazda to concentrate on parallel development of other, possibly niche products like minivans or multi-purpose vehicles.

"It would give the companies a broader product range – essentially more firepower for the same number of battles," says Mr Trotman. "The new Escort would be basically a Ford of Europe design. And while the European [redacted] were doing that, American teams would be creating a new Windstar van, Explorer [redacted] roader, new Taurus car . . . all sorts of things."

Mr Trotman insists a decision on whether the small Jaguar will [redacted] built in the US [redacted] Europe is still months away. However, he warned that the strong British connotations [redacted] Jaguar may no longer count for [redacted] he appeared [redacted] lay [redacted] rest [redacted] that further substantial restructuring might still [redacted] its European operations: "Europe is performing well. [redacted] got through what had to be done; it's behind [redacted] and Europe is in [redacted] stable condition now."

He also flagged Ford's intention substantially [redacted] increase its manufacturing presence in Asia, particularly Taiwan, China and Indian. He predicted that [redacted] in [redacted] will triple in [redacted] next 15 [redacted] worth "several million [redacted]" [redacted] major motor makers.

First-quarter loss for Alcoa due to charge

By Laurie Morse in Chicago

Alcoa, the world's largest aluminium producer, reported improved operating results for [redacted] first quarter, [redacted] $117.9m extraordinary charge left [redacted] an [redacted]

The [redacted] battling against [redacted] debilitating [redacted] world aluminium prices, has been cutting costs [redacted] trimming production. [redacted] quarter operating improve[redacted] attributed [redacted] cost-cutting and slightly higher aluminium prices.

It said operating earnings, excluding charges, [redacted] $9.6m, [redacted] cents per share, in the quarter, a turnround from [redacted] fourth-quarter loss of $16.7m but well below [redacted] quarter [redacted] earnings [redacted] $27.6m, [redacted] 31 [redacted] per [redacted] First-quarter [redacted] rose [redacted] $2.2bn, from $2.1bn in [redacted] period [redacted]

Including [redacted] extraordinary items, [redacted] a [redacted] $106.3m, or $1.22 [redacted] share, in the [redacted] quarter. The previously announced special charges included $50m for closing [redacted] California forging plant [redacted] early redemption [redacted] high-interest debt.

The company took $70.2m in restructuring charges in [redacted] fourth quarter of 1993, [redacted] in February announced it [redacted] cut [redacted] aluminium output by 100,000 per [redacted] in an [redacted] by producers [redacted] prices.

Neste trims deficit to FM1.52bn for year

By Christopher Brown-Humes in [redacted]

Neste, the [redacted] petrochemicals group, [redacted] ($278m) pre-tax [redacted] for 1993, [redacted] 31 per cent reduction on [redacted] of [redacted] a year earlier.

Mr Jaakko Ihamuotila, group chief executive, predicted the [redacted] profit [redacted] 1994, adding [redacted] balance sheet would strengthen.

[redacted] is benefiting from a recovery plan, launched [redacted] April, [redacted] has brought [redacted] sales, lower investments, cost-cutting, and [redacted] personnel.

The [redacted] figures [redacted] hit by [redacted] sharp slump in oil prices, high interest [redacted] and recession in the Finnish [redacted]

"No positive upswing has taken place in Neste's operating environment," it stated. It blamed an "exceptionally low international oil price" for hitting profits within its main oil businesses, adding that oil consumption had fallen by 4.3 per [redacted] in [redacted] during [redacted] year.

"Petrochemical [redacted] plastic prices [redacted] depressed [redacted] international refining margins continued [redacted] slim," [redacted]

Higher [redacted] helped lift group [redacted] by 9.9 per [redacted] sales rose [redacted] per cent [redacted] FM49.1bn [redacted] 19 per [redacted]

There [redacted] an operating profit of FM540m, against [redacted] FM227m loss in 1992, but net financial charges of FM2.06bn wiped this out at the pre-tax [redacted]

Chairman of Lagardère sees profits increase

Lagardère Groupe [redacted] an [redacted] in [redacted] compared with 1993, Mr [redacted] Luc Lagardère, [redacted] John [redacted] in [redacted]

Addressing [redacted] shareholders' meeting [redacted] Matra-Hachette, [redacted] missiles [redacted] magazines group, into Lagardère, [redacted] would play [redacted] role [redacted] privatisation [redacted] Renault, [redacted] state-owned [redacted]

Mr Lagardère [redacted] profits of [redacted] last year, in line with estimates, [redacted] profits at Lagardère of FFr154m. Lagardère Groupe now has a 93.4 per cent stake in Matra-Hachette, increased from 37.6 per cent.

Kashima Oil chief to quit after forex loss

By Michiyo Nakamoto in Tokyo

The president of Kashima Oil, a Japanese refiner, has said he would resign [redacted] responsibility for [redacted] company's loss [redacted] Y152.5bn ($1.5bn) [redacted] foreign exchange forward [redacted]

The loss is the second big[redacted] in foreign exchange for[redacted] loss [redacted] by Showa Shell [redacted] early [redacted] Its [redacted] Japanese [redacted] which [redacted] foreign currency [redacted] in [redacted] fluctuating currency markets.

Mr Hachiro Obata, the president, resigned over the weekend after the oil refiner's loss was made public.

The Ministry of International Trade and Industry, which last year launched an investigation into the effect of forward con[redacted] on oil companies [redacted] loss, plans [redacted] investigate Kashima. The ministry said [redacted] investigation would not [redacted] normal [redacted]

Kashima, [redacted] unlisted [redacted] with [redacted] in Kashima city north-east of Tokyo, [redacted] per [redacted] owned by Japan Energy, [redacted] mining development and petroleum refining company. Other leading sharehold[redacted] include Mitsubishi Petroleum, also [redacted] per [redacted] and Cosmo Oil, with 22 per [redacted]

The company's foreign [redacted] capitalisation of Y20bn, so it will [redacted] capital injec[redacted] from major shareholders, [redacted] well [redacted] assistance from [redacted] Industrial Bank of Japan, its main bank. Japan Energy said it was [redacted] talks with the company on a rescue package.

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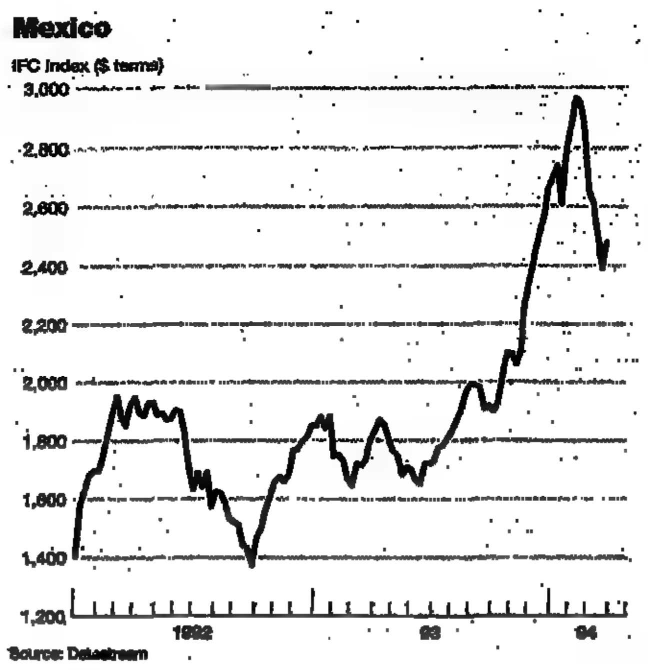
LEAD FROM STRENGTH.

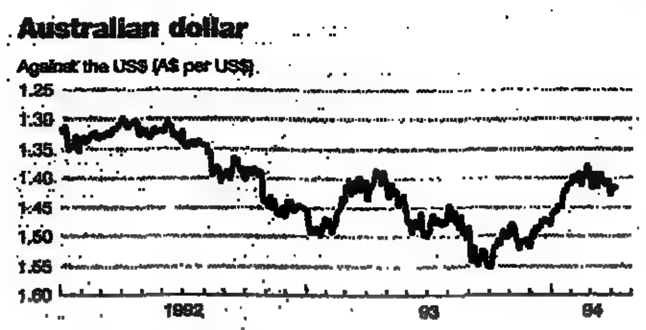
The Markets

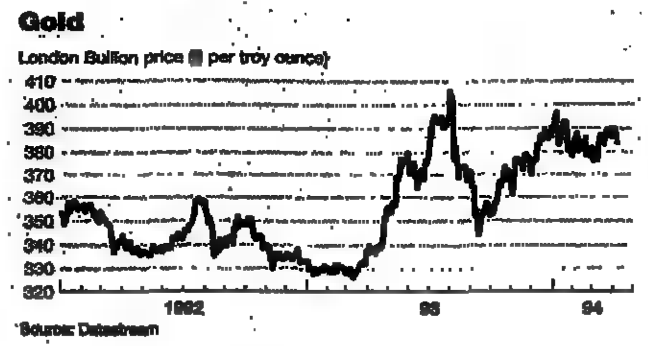
THIS WEEK

Global Investor / **Martin Dickson in New York**

Fighting off the spectral bear







The coming week [illegible] be crucial in establishing whether the recent bounce in US bond and equity markets signals an end to their sharp slide – at least in [illegible] short run – or [illegible] merely a respite from bearish forces.

[illegible] Tuesday's [illegible] point jump in [illegible] Dow Jones Industrial Average, [illegible] its further advances later in the week, certainly had [illegible] sic characteristics of [illegible] market turning point, with [illegible] of anxious selling suddenly switching to a [illegible] bargain-hunting buying.

The [illegible] also [illegible]tically very tidy: [illegible] wide array of analysts had [illegible] 10 per [illegible] correction, [illegible] lo, [illegible] market [illegible] after [illegible] 9.7 per cent drop – right in line with [illegible] historical [illegible] for a [illegible] correction, both in [illegible] duration.

But relying [illegible] history can be dangerous, and this comforting picture [illegible] a little [illegible] neat. Certainly, Friday's mar[illegible] closely [illegible] in the equity [illegible] to contin[illegible] bond traders [illegible] the prospects [illegible] growth [illegible] inflation, [illegible] possibility [illegible] further tightening by the Fed, at or before its May 17 policy meeting.

This week fixed income [illegible] have [illegible] weather a bar[illegible] of [illegible] data, ranging from the consumer and producer price indices, which should give comfort [illegible] the market, to figures [illegible] retail sales, business inventories [illegible] industrial production, any [illegible] could spook traders if they [illegible] minded.

Still, the first quarter corporate [illegible] season beginning [illegible] should at [illegible] remind equity [illegible] that the US economic [illegible] remarkably benign, promising solid growth [illegible] to 4 per cent, [illegible] productivity gains, [illegible] an annual inflation [illegible] 3 [illegible] or less.

Corporate profits [illegible] sectors are likely to be up 10 to [illegible] per cent this [illegible], with double digit gains possibly extending [illegible] the end [illegible].

The Fed's tightening [illegible] had [illegible] beneficial [illegible] of knocking [illegible] which at the [illegible] was beginning to [illegible] dangerously [illegible].

It now looks much closer to [illegible] value, judged by tradi[illegible] yardsticks. For example, Abby Joseph [illegible] reckons the [illegible] 500 is selling [illegible] roughly 14 [illegible] operating earnings per share, whereas in previous periods when inflation [illegible] 3.5 per cent [illegible] less, [illegible] average p/e was 16.4. A further dip to, or below, the [illegible] trough would throw up [illegible] buying opportunities.

Mutual funds

The strength [illegible] US equity market [illegible] few weeks will depend in sub[illegible] part [illegible] of the individual [illegible] have poured [illegible] into mutual funds [illegible] past [illegible] – [illegible] suffering their [illegible] reversal.

In the [illegible] ruary tightening, the [illegible] phase of the market [illegible] driven mainly by [illegible] professionals – [illegible] trading [illegible] and [illegible] overly maligned hedge funds, which were [illegible] to liquidate [illegible] their leverage. Fund managers [illegible] dressing portfolios [illegible] end [illegible] the first quarter [illegible] played [illegible] part.

Small equity investors remained reasonably sanguine, in part because until two [illegible] ago the brunt of the [illegible] decline was borne by the [illegible] income [illegible]. The [illegible] still [illegible] a net inflow in equity mutual funds, [illegible] a rate much [illegible] from the [illegible] this year, [illegible] there are signs [illegible] mar[illegible] funds.

But will [illegible] will [illegible] quite so [illegible] their [illegible] managers' first quarter performance statements pop through the [illegible]box?

The concern [illegible] probably overdone. First, [illegible] American investors have [illegible] large [illegible] swings since the 1987 crash. Second, the overwhelming weight [illegible] professional advice, reaching [illegible] from [illegible] and media pundits, [illegible] they [illegible] witnessing [illegible] prolonged bear market and [illegible] they should avoid selling at the bottom.

Third, with short-term interest rates still [illegible] low in real [illegible], money [illegible] accounts [illegible] limited allure, though [illegible] will gradually change [illegible] the Fed [illegible] tightening.

A gradual [illegible] back [illegible] market [illegible] drag [illegible] equities, but it is arguable [illegible] will [illegible] by increased buying of [illegible] equities [illegible] corporate pension funds and foreign investors, [illegible] by [illegible] expanding economy and [illegible] of [illegible] strengthening dollar.

Mexico

The recovery [illegible] US equities last [illegible] was mirrored in Chile and Argentina, which were among [illegible] ing [illegible] nose-dive after [illegible] Fed's February tightening. But notably [illegible] from [illegible] Latin [illegible] was Mexico, where stocks fell sharply [illegible] week.

[illegible] is now [illegible] per cent from [illegible] highs [illegible] early February, as domestic political [illegible] has [illegible] the bearish sentiments [illegible] across the Rio Grande.

Investor nervousness following [illegible] peasant rebellion in Chiapas and the killing of Luis Donaldo Colosio, presidential candidate [illegible] the ruling PRI party, [illegible] combined with [illegible]ing US interest [illegible] put [illegible] on the [illegible] and force short-term [illegible] up sharply.

That, in turn, [illegible] analysts revising downwards their estimates for GDP growth, with some cutting [illegible] half a percentage point [illegible] figures [illegible] previously ranged from [illegible] per cent.

Nor is there much hope of an early end to the political uncertainty, amid growing evidence that [illegible] result [illegible] a conspiracy, [illegible] than [illegible] a [illegible] gunman, and [illegible] rumblings [illegible] Chiapas.

The PRI's new presidential candidate, [illegible] Zedillo, [illegible] belongs [illegible] party's economic [illegible] wing, still [illegible] likely [illegible] win [illegible] August 21 [illegible] though [illegible] far [illegible] certain, given [illegible] he [illegible] held elective [illegible] and the party's old guard [illegible] him.

Geoffrey Dennis [illegible] Bear, [illegible] not see [illegible] imminent return to [illegible] kind of vir[illegible] economic [illegible] political circle which [illegible] substantially lift the market, but [illegible] uncertainty [illegible] simply delaying [illegible] eventual upturn from [illegible].

"Once you [illegible] recovery, and the North American Free Trade Agreement [illegible] kick back in, [illegible] logically [illegible] off [illegible] a four, five, six-year period of sustained growth."

Provided, of course, that the political upheavals in [illegible] first few months [illegible] this year are [illegible] merely scratching [illegible] surface of [illegible] sions, which [illegible] yet [illegible].

Australian dollar

The price of gold, which rose sharply in March on inflation [illegible] and South African violence, could move closer to the $400 mark [illegible] next [illegible] weeks if the run-up to South Africa's election in late April produce more serious clashes [illegible] Zulu [illegible] ANC. But given the influence of South African politics on the metal, is [illegible] sensible to use the gold price as an indicator of inflation psychology, as Mr Alan Greenspan, the chairman of the Fed, said he was doing recently?

David [illegible] of [illegible] Financial Services, [illegible] that Mr Greenspan should be paying more [illegible]tion [illegible] dollar [illegible] barometer of inflationary expectations over [illegible] next [illegible] "Most international [illegible] regard it as [illegible] good [illegible] for global inflation [illegible] commodities [illegible] about 80 [illegible] cent of [illegible] exports and [illegible]modity producing companies [illegible] third of [illegible] country's [illegible] capitalisation."

What does [illegible] performance show? The currency rose sharply in [illegible] but since [illegible] Fed tightened it has been in [illegible] trading range [illegible] its January peak, suggesting that the Fed's [illegible] has successfully dampened inflationary fears.

Total return in local currency to 7/4/94

	% change over period					
	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.07	0.04	0.11	0.12	0.15	0.10
Month	0.30	0.20	0.51	0.53	0.69	0.43
Year	3.50	3.28	6.75	8.19	11.81	5.75
Bonds 3-5 year						
Week	-0.42	-0.56	0.31	0.00	0.13	0.05
Month	-1.30	0.78	0.75	-0.44	0.56	-2.13
Year	1.55	6.61	7.70	9.64	22.67	6.68
Bonds 7-10 year						
Week	-0.36	-0.69	0.32	-0.22	0.00	-0.34
Month	-2.54	1.56	0.50	-1.44	1.55	-3.28
Year	1.08	8.13	7.71	10.63	32.64	7.16
Equities						
Week	1.3	3.5	2.7	1.7	1.8	1.4
Month	-3.0	0.1	3.7	-4.1	13.1	-5.0
Year	4.6	4.3	31.7	15.2	55.1	17.1

Best performing stocks from FT-A World Indices in local currency to 7/4/94

		% change		
	Close	Week	Month	Year
Tasman Properties (Mal)	0.04	33.3	5.4	-50.0
Analog Devices (US)	30.50	17.3	11.7	57.4
Four Season Hotels (Can)	12.75	17.2	-7.3	-20.3
Kolpe (Spa)	6,200.00	16.5	19.2	24.0
Public Bank (Mal)	4.80	16.5	12.9	78.4
Kim. Hin Ind. (Mal)	17.10	14.8	7.4	[illegible]
Nagasakia (Jap)	863.00	14.3	7.5	-10.1
Italcementi (Ita)	1,625.00	13.8	34.5	[illegible]
Nitto Boseki (Jap)	329.00	13.5	9.7	-18.4
American Greetings (US)	29.88	13.3	14.0	15.5

Source: Cash & Bonds - Lehman Brothers. Equities - G. NatWest Securities. The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co., and NatWest Securities Limited.

Economic Eye / **Gerard Baker**

Deflation – the biggest threat to Japan's economy

Japan's spring pleasures – cherry blossoms, the start of the baseball [illegible] changing the prime minister – seem to have an uplifting [illegible] on the Japanese economy. In the [illegible] three [illegible] end [illegible] been marked by [illegible] figures apparently showing the end [illegible] the long recession.

But in [illegible] last [illegible] revival [illegible] disappeared [illegible] quickly as the cherry blossom [illegible]. Will 1994 repeat [illegible] pattern?

In the first [illegible] months [illegible] 1992 gross domestic product grew [illegible] an annualised [illegible] 2.4 per cent. But that was [illegible] far [illegible] recovery [illegible]. In [illegible] remaining three quarters of [illegible] year output contracted.

Last year the first quarter produced growth [illegible] an annualised [illegible] than 3 [illegible] cent. Again [illegible] recovery proved short-lived.

All [illegible] indications are that the [illegible] months of [illegible] will again give [illegible] more vernal optimism. Consumption, housing [illegible] and business confidence [illegible] all [illegible] rising, and the first quarter [illegible] figures [illegible] expected to show [illegible] familiar resumption of growth.

Unabashed by previous pre[illegible] declarations of recovery, Mr Yasushi Mieno, [illegible] Bank [illegible] Japan's governor, claimed last [illegible] that [illegible] is something durable about [illegible] revival.

He pronounced [illegible] economy [illegible] "near the bottom" [illegible] the current cycle – not jubilant rhetoric, [illegible] from the [illegible] Mr Mieno, [illegible] significantly more upbeat assessment [illegible] previous judgments.

His remarks led [illegible] flurry [illegible] selling in [illegible] investors took them as a hint that [illegible] official discount rate, currently just 1.75 per cent, might also have [illegible] bottom [illegible] cycle.

However, the Japanese authorities [illegible] likely [illegible] look especially hard [illegible] the evidence [illegible] concluding that [illegible] recession is really [illegible], and adjusting policy accordingly.

For the most significant [illegible] Japan's economy is [illegible] inflation, but its opposite.

The [illegible] of [illegible] lasting deflation are probably now greater in Japan than they have been in any big industrial country since the [illegible] Depression.

Falling asset prices [illegible] a [illegible] of the Japanese economy for [illegible] economy" burst. At first [illegible] disinflation was seen as an unwelcome but healthy corrective [illegible] the excesses [illegible] the financial boom. [illegible] now [illegible] virus has spread [illegible] the rest of [illegible] economy.

The core [illegible] consumer price inflation (excluding [illegible]sonal [illegible] prices) is now down to 1 per cent. [illegible] taking [illegible] three months compared with the previous three, con[illegible] prices have actually fallen by 1 [illegible] cent.

Even [illegible] may understate [illegible] of the [illegible]. The CPI's [illegible] revised just [illegible] every five years, and [illegible] consumer spending pat[illegible] have changed, the likelihood is that [illegible] inflation is even lower.

[illegible] prices [illegible] falling for [illegible] than a [illegible]. In the year [illegible] February they dropped by 3.1 per cent.

Wages [illegible] flat. Though [illegible] shunto spring wage negotiations resulted in 3 per cent wage increases, this disguises [illegible] real picture.

[illegible] represent as much as half of a worker's salary and [illegible] cut, or in many [illegible] cancelled this year. Last year total wages rose by 0.6 per [illegible] the [illegible] figure [illegible] be lower.

The yen's strength [illegible] making matters [illegible]. The latest endaka, a 15 per cent revaluation in the last [illegible], is only [illegible] filtering into prices. Though it will be a once and for all hike in [illegible] price level, [illegible] higher yen will depress demand further.

Bank lending grew [illegible] an historically [illegible] of just 0.5 per [illegible] in January, and the money stock [illegible] plus cds) spent [illegible] of 1993 falling.

In short, [illegible] conditions [illegible] in place for [illegible] classic, [illegible] style deflation, [illegible] downward spiral [illegible] falling prices and falling demand which character[illegible] Depression.

In a deflation [illegible] have [illegible] prices [illegible] remain competitive in a push downwards, reducing wages, and so [illegible] still further.

Falling prices depress consumption in other ways; consumers [illegible] spending as prices fall, hoping to [illegible] from future [illegible] prices.

[illegible] it [illegible] financial aspects of [illegible] Japan [illegible] present. Firms are already labouring under real [illegible] of around [illegible] 5 per cent, even though nominal [illegible] are at an all-time low.

[illegible] of all [illegible] the [illegible] of [illegible] inflation – the real value [illegible] companies [illegible] viduals' debt is rising. The [illegible] companies [illegible] heavily in the [illegible] to strengthen their bal[illegible] sheets. Yet debt-laden firms [illegible] find that the [illegible] cost [illegible] servicing [illegible] rising.

Net [illegible] to income ratios have fallen in [illegible] yet the number [illegible] carried by the [illegible] risen sharply. If the real debt burden were [illegible] again, [illegible] already weakened [illegible] be further handicapped.

This may [illegible] a world [illegible] on the perils of inflation. Isn't [illegible] deflation merely a [illegible] Japan's depressed [illegible]?

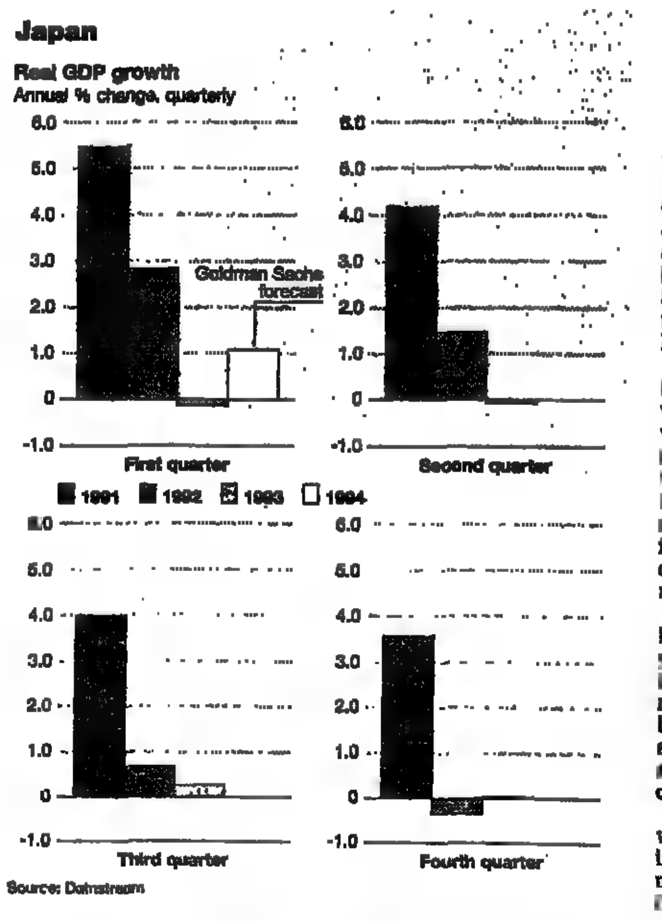
A feature [illegible] the post [illegible] economy [illegible] relatively low inflation. [illegible] the severity [illegible] current [illegible] simply produced [illegible] huge output gap – the [illegible]ence between [illegible] ouput [illegible] potential output – 10 per [illegible] by some estimates. In those circumstances low inflation – even by Japanese [illegible] – [illegible] only [illegible] expected.

But [illegible] deflation [illegible] like a spiral than a cycle. When an economy gets pulled into [illegible] vortex, counter-cyclical stabilisers [illegible] not [illegible].

Until now, the Bank of Japan [illegible] pursued an [illegible]tory monetary policy – with the lowest nominal interest rates [illegible] world.

But the real deflationary pressures at work in [illegible] omy mean that policy is tightening by default.

Another spring glimmer of recovery may tempt [illegible] to keep [illegible] where they are. If it does, this upturn may prove [illegible] as durable [illegible] the [illegible] Japanese prime minister.



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EMERGING INVESTOR: This Week

The Emerging Investor / Stefan Wagstyl and Sara Webb

Indian issue faces uncertain reception

India's ability to tap the capital markets for the funds it [illegible] to lift [illegible] from the ranks of the [illegible]'s *poorer nations* faces an important test this week.

Videsh Sanchar Nigam, the *state-controlled* international telecommunications utility, wants to raise $1bn in Euro-equity in the biggest-ever Indian issue and one of the largest global issues this year.

Salomon Brothers and Kleinwort Benson, the in[illegible] banks which are co-global co-ordinators for the issue, are now holding roadshows for the issue, taking in cities in [illegible] Asia, Europe and the [illegible].

Six weeks ago [illegible] VSNL offering would almost certainly have been [illegible] *roaring success* – probably priced [illegible] a premium *to the prevailing Indian domestic price and almost certainly oversubscribed*. Such [illegible] the popularity then [illegible] markets. Now, fund [illegible] have grown more cautious, partly because [illegible] the world-[illegible] *correction in* [illegible] which [illegible] increases in *US interest* [illegible] and partly because [illegible] sharp decline in Indian equities.

Euroissues have in the [illegible] been the most important conduit of foreign investment into India – accounting for [illegible] $5bn in the [illegible]. A further *$1.5bn came from portfolio investment in the Indian* [illegible]. *The performance* of the VSNL issue will signifi*cantly influence how much* India is able to raise this year.

"VSNL will be [illegible] very significant [illegible] for [illegible] market and it *will* be the bellwether [illegible] for several reasons, *because it is a* [illegible] bigger than [illegible] other Indian GDRs, [illegible] it is a telecoms [illegible] because it [illegible] government disinvestment," [illegible] Mr Jeff Chowdhry, [illegible] Barclays [illegible] Wedd Investment Management, [illegible] recently raised $510m for its India Fund.

VSNL as [illegible] is still seen as having great merits, holding a monopoly [illegible] international telecommunications in a large developing country which is trying to integrate its economy with the [illegible] of the world through foreign trade and investment. In the [illegible] ending [illegible] 1993, *it* made after-tax profits of *Rs1.12bn* [illegible] Rs7.47bn.

However, [illegible] *10* [illegible] decline in prices on the Bombay *stock exchange since the* end of February has made pricing the VSNL [illegible] difficult. [illegible] have fallen for a combination of [illegible] which [illegible] important [illegible] that a correction was [illegible] tained rally which had [illegible] shares double from lows reached [illegible] spring.

Also, investors [illegible] disappointed that the government's [illegible] budget, announced [illegible] late February, did not fulfil [illegible] highest hopes of [illegible] wanted [illegible] see strong measures to promote growth. They were concerned too about the potential impact on inflation of the government's [illegible] curb public borrowing as effectively as it had promised.

Moreover, the Securities and *Exchange Board of India*, [illegible] markets watchdog, enforced a long-threatened ban on Badla – the informal forward market in shares which [illegible] about 75 per cent of all stock exchange trading. Badla brings *liquidity to the market, but is* subject to frequent abuse and *price manipulation.*

[illegible] Indian equities fell, so did Indian Euroissues, often faster [illegible] further than [illegible] underlying shares. [illegible] mainly because these international offerings had usually [illegible] sold [illegible] a premium to the Indian [illegible] price. So strong [illegible] the demand for [illegible], [illegible] difficult is it [illegible] negoti[illegible] intricacy of Indian [illegible] settlement systems, [illegible] fund [illegible] were ready to pay extra for the convenience of Europaper, particularly in those cases where they [illegible] FII [illegible] allowing [illegible] *ment in the stock market.*

With a few exceptions those premia have now evaporated, [illegible] Euroequity [illegible] *trade at discounts of up to 15* per [illegible] of the equivalent Indian stock exchange price.

The turmoil put a month-long stop on Indian Euroissues, which ended only last week as three companies started road[illegible]: *VSNL, Calcutta Electric* Supply Corporation, which launched a GDR and warrant [illegible] (hoping to [illegible] Friday's pricing of [illegible] per unit [illegible] and [illegible] and an [illegible] if the warrants [illegible] exercised), [illegible] Tube Investments, [illegible] engineering [illegible] seeking [illegible] equity.

CESC, which supplies [illegible]tricity [illegible] Calcutta, has had [illegible] coming [illegible]ket. It parted company with its original [illegible], Kleinwort Benson, after disagree[illegible] and timing of the issue. Kleinwort *wanted to bring CESC to* market after VSNL, but CESC *executives wanted to go first in* case investors were swamped *by the giant VSNL offering.*

[illegible] Capital Markets of France secured the mandate, and is now wooing investors at exactly [illegible] same [illegible] as VSNL. Both Kleinwort and *CESC* declined to [illegible] publicly [illegible] dispute.

Despite the setbacks in emerging markets, investment bankers [illegible] there is still strong demand for well-priced companies with strong prospects.

Mr Nanavati [illegible] Standard *Chartered* [illegible] Indian Euroissues – *Indo-Gulf Fertilisers*, [illegible]cals company belonging to the industrial grouping headed by Mr Aditya Birla, and Videocon International, the leading consumer [illegible] – have retained premia of more than [illegible] per cent [illegible] Indian stock [illegible] price. But both [illegible] attractively-priced, and both companies are believed to [illegible] particularly [illegible] growth prospects.

Mr Chowdhry [illegible] BZW [illegible] India funds [illegible] prefer [illegible] directly in India, while international equity offerings tended [illegible] appeal more to the non-special[illegible] funds. However, [illegible] the specialist funds were looking more closely [illegible] the GDRs once they fell [illegible] discount.

[illegible] Indian [illegible] ministry are keeping their *fingers crossed over the* VSNL issue, not least because *the government is the main* shareholder. If the issue flops, India's reputation could suffer. But, if the shares are [illegible] cheaply to foreigners, [illegible] government could face domestic political attacks.

Ten best performing stocks

Stock	Country	[illegible] close	Week on week change $	%
[illegible] Yatrim	Turkey	1.2117	[illegible]	[illegible]
Guney Biracilik	Turkey	[illegible]	[illegible]	32.70
Migros	Turkey	[illegible]	[illegible]	[illegible]
Ege Biracilik	Turkey	[illegible]	[illegible]	[illegible]
Kordosa	Turkey	[illegible]	[illegible]	[illegible]
Eregli Demir Ve Celik	Turkey	[illegible]	[illegible]	[illegible]
Arcelik	Turkey	[illegible]	0.0987	[illegible]
Enersis SA	Chile	0.4010	[illegible]	11.87
Chilean Generacion Electrica	Chile	5.4509	[illegible]	10.72
Aksa Akrelik Ve Kimya	Turkey	[illegible]	[illegible]	10.70

Source: Baring Securities

RECENT INDIAN GDR ISSUES

Company	Issue date	[illegible] price/ GDR ($)	% change to date of issue
SPIC	[illegible] 93	11.15	[illegible]
M & M	Nov [illegible]	7.44	14
Indo-Gulf [illegible]	[illegible]	[illegible]	-16
GE Shipping	Jan 94	15.9	-27
Indian Rayon	Jan 94	22.61	-13
Videocon Intl	Jan [illegible]	8.10	[illegible]
[illegible] Mills	[illegible] 94	9.75	-33
Reliance-II	Feb [illegible]	24.10	-21
Jain [illegible]	[illegible]	11.13	[illegible]
Indal	Feb [illegible]	10.15	-11
[illegible]	[illegible] 94	28.59	-21

News round-up

■ Greece

The market will react this [illegible] to expectations that the socialist government will reverse its decision to impose a [illegible] per cent tax on dividends of mutual [illegible] invest in Greek government securities, *writes Kerin Hope in Athens.*

The move, included in [illegible] fiscal [illegible] last week, [illegible] brokers by surprise as the finance ministry had stressed that interest on government paper would [illegible] entirely tax-free. [illegible] affected by the European Commission's decision to take legal action against Greece for imposing a trade embargo against Macedonia. The general index fell by 2.1 per cent last week.

However, the index is still 4.7 per cent up on last year. Trading volume averaged Dr8.7bn ($35m) daily for the first quarter, three times the 1993 average. The flow of new listings and rights issues, led by construction companies in search of fresh capital to finance infrastructure projects included in a new European Union asistance package, shows no sign of abating.

Listed companies have raised Dr51bn in fresh capital so far this [illegible].

■ China

Shanghai Automation Instrumentation [illegible] said [illegible] it plans a B share listing on the Shanghai stock market with an issue of 70m [illegible] for foreign investors at 24.6 [illegible] cents each. The [illegible] will [illegible] on [illegible] on April 29.

The company is also offering some 32m shares to domestic investors. The group said that [illegible] planned [illegible] use the proceeds [illegible] build construction facilities for [illegible] in power stations. Trading in the B [illegible] is expected to start on May 12.

● Four of the largest state-owned Chinese companies selected for listing outside China are seeking [illegible] listing [illegible] the New York Stock Exchange. Two power supply companies and two regional airlines, expected to raise between $250m and $500m each, have signed up with US investment banks, according to industry executives.

● Further coverage of emerging markets appears daily on the World Stock Markets page.

CURRENCY MARKETS — Philip Gawith

Politics and trade influence yen

The yen will be in the [illegible] this week as investors seek to assess the impact of the resignation last Friday of Mr Morihiro Hosokawa, the Japanese prime minister.

Although the initial focus will be on the appointment of Mr Hosokawa's successor, few analysts believe the change has serious policy implications.

The weakness and confusion within the ruling coalition makes it difficult to predict when a successor will be appointed.

For the markets, two key issues arise from his departure: What will it mean for the passage of the Japanese budget and what impact [illegible] it [illegible] on Japan's trade dispute with the US.

The opposition LDP [illegible] recently blocked passage of the *budget, delaying* implementation of a Y15.25 trillion fiscal stimulus. Failure to pass this package will harm economic prospects, depress the stock market and probably spill over into a weaker yen.

In recent months the dominant factor affecting the value of the yen has been the trade dispute between Japan and the US.

Any indication of a deterioration in relations has tended to strengthen the yen.

This week is likely to see a new development on the trade *front, with the GATT conference* in Morocco expected to provide [illegible] forum [illegible] a *resumption of bilateral* [illegible] talks.

Elsewhere, a raft of US economic data, and the first Bundesbank council meeting for four weeks, will shed further light on the prospect of a decoupling of US and European financial markets.

US producer and consumer [illegible] will be carefully [illegible] hints of [illegible]. Retail sales figures will also [illegible] an indication of the economy's strength.

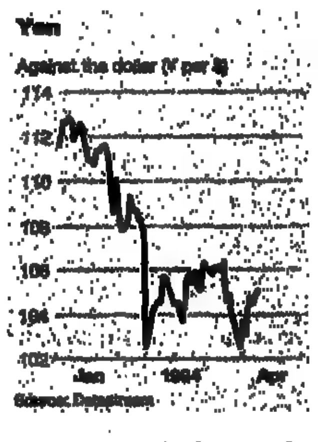
Short of some very unex[illegible], most observers *are not expecting any change* of policy before the next meeting of the Federal Open Market Committee on May 17.

Talk of [illegible] cut in the German *discount rate has also receded* as the recent strength of the *dollar has put the D-Mark* under pressure.

The repo rate [illegible] continue to be trimmed, [illegible] analysts now favour the April 28 meeting of the Bundesbank to produce a cut in the discount rate.

Two European [illegible] will be closely watched are the lira and the [illegible] progress [illegible] a new government in Italy will bolster the lira further, pushing it [illegible] L950 against the D-Mark.

In Portugal, meanwhile, markets will be watching *to see if* [illegible] central bank [illegible] successfully warded off the specula*tors who drove the currency* lower over the past two weeks.



Baring Securities [illegible] markets indices

Index	8/4/94	Week on week [illegible] Actual	Percent	Month on month movement Actual	Percent	Year to date [illegible] Actual	[illegible]
World (245)	151.32	–4.07	–2.62	–15.44	–9.26	–17.09	–10.15
Latin America							
Argentina (1[illegible]	105.38	0.61	0.58	–14.75	–12.28	10.00	–8.67
Brazil (20)	166.95	-20.69	-11.03	–22.78	-12.01	27.30	19.55
Chile (12)	162.00	9.88	6.49	–4.44	–2.67	14.46	9.80
Mexico (24)	135.06	-5.89	–4.18	–22.52	–14.29	–26.21	–16.25
Latin America (75)	142.85	[illegible]	–4.61	–19.78	–12.16	–6.39	[illegible]
Europe							
Greece (14)	90.34	-2.25	-2.43	–7.48	–7.65	7.25	8.72
Portugal (14)	126.84	-2.67	-2.06	-1.61	-1.18	14.72	13.13
Turkey (22)	73.22	7.45	11.33	-10.78	–12.83	–88.49	-54.72
Europe (50)	102.96	-0.50	–0.48	–5.50	–5.07	–9.25	–8.24
Asia							
Indonesia (17)	[illegible]	–11.17	–7.44	–20.65	–12.94	[illegible]	–18.79
Korea (23)	[illegible]	1.84	1.46	–7.47	–6.12	4.83	4.40
Malaysia (22)	[illegible]	1.47	0.76	–10.46	–6.01	–56.00	–21.73
Philippines (11)	251.54	-8.25	[illegible]	–4.66	–1.82	–70.94	[illegible]
Thailand (21)	199.06	-0.43	-0.22	–16.45	–7.63	–64.50	[illegible]
Taiwan (29)	139.29	5.79	[illegible]	1.71	1.24	–14.42	–9.38
Asia (123)	181.06	0.55	0.31	–9.55	-5.01	–40.35	[illegible]

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, April 8, 1994. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Special Drawing [illegible] April 7, [illegible] United Kingdom £0.951177 United States $1.39504 Germany DM2.38107 Japan [illegible] Currency Unit [illegible] April 8, 1994 United Kingdom £0.766723 United States $1.13146 Germany DM1.93649 Japan Y118.889

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate. (u) Currencies fixed against the US Dollar. (v) Floating rate; $ CIS applies to states in the Rouble Zone. (1) Yugoslav Dinar rate n/a. (2) Rates for Burundi & Rwanda are for March 31st. (3) Turkish Lira devalued by 28% on April 5th. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4365/5.

Friday, April 8, 1994

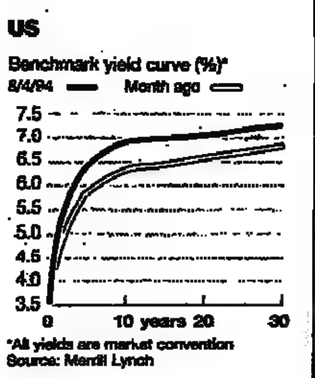
WORLD [illegible] MARKETS: This Week

NEW YORK — Richard Tomkins

Investors thumbed their collective nose at market trends last week and lifted bond prices for three consecutive days: but on Friday, the rally broke down as nervousness about this week's barrage [illegible] economic data set in.

The fear is that [illegible] pointing to inflationary pressures will provide the Federal Open Market Committee with an excuse to increase interest rates. Salomon Brothers predicts that, whether in one step or two, the committee is poised to push the funds rate from 3.5 per cent to 4 per cent on or before its May 17 meeting.

On Tuesday, the barrage will start quietly if the producer price index for March shows the expected increase of just [illegible] per cent. But Wednesday will be lively if the March increase in consumer prices is greater than February's 0.3 per cent, and there could be worries about the likely increase in retail sales [illegible]



*All yields are market convention
Source: Merrill Lynch

1 per cent or more.

Thursday brings the figures for inventories held by manufacturers, wholesalers and retailers, with analysts predicting increases ranging from 0.3 per cent to 0.4 per cent. The week could end with another busy day's trading on Friday if, as expected, figures for industrial output show that the overall operating rate rose [illegible] 83.7 per cent in March, the highest since June 1989.

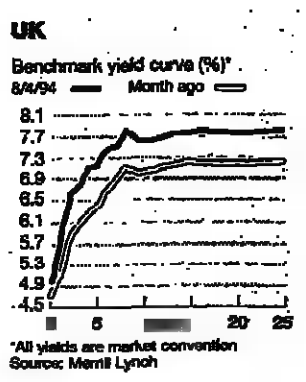
LONDON — Philip Coggan

The main statistic of the week will be Friday's retail price index for March. After February's disappointing numbers, the markets will be looking for a fall in the underlying rate (excluding mortgage payments) to 2.6 per cent. The headline annual rate is expected [illegible] be unchanged at 2.4 per cent.

Mr James Barty, UK economist at Morgan Grenfell, says he thinks the last inflation numbers caused an over-reaction, but adds, "the markets are going to want an assurance there has been no pick-up in inflationary pressures".

Another statistic that will be closely watched is the January whole world trade figure. The December £1.6bn deficit awakened fears that the UK's tendency to suck in imports was recurring. Analysts are hoping that the January deficit will have dropped to £1.3bn.

Gilts seemed to have stabilised last week, despite



*All yields are market convention
Source: Merrill Lynch

strong data on UK industrial output. By the time trading resumed on Tuesday, the US payroll numbers, published on Good Friday, were digested with relative calm.

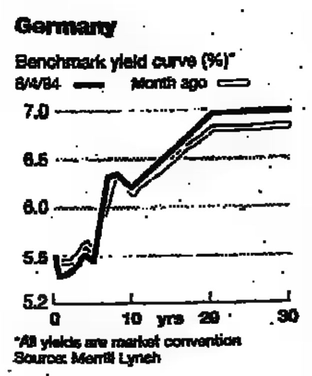
According to S.G. Warburg Securities, spreads versus US Treasuries have narrowed to 70 basis points from 128 basis points two weeks ago. But a more sustained rally may need firmer evidence that fears of a revival in US and UK inflation are unwarranted.

FRANKFURT — Antonia Sharpe

German government bonds gained around 0.25 per cent in local currency terms last week, according to Salomon Brothers' world government bond index, helped by the Bundesbank's continued step-by-step declines in the repo rate and the improvement in market sentiment since the start of the second quarter.

The Bundesbank cut the repo rate by three basis points to 5.73 per cent last Wednesday, in line with forecasts, but analysts said the move was marred by the Bundesbank's misjudgment of the liquidity situation in the money [illegible] Contrary to market expectations, the Bundesbank drained [illegible] net DM1.8bn from the system on Wednesday but it was forced to allocate DM7bn via a seven-day repo the morning after.

Traders expect the yield curve to steepen this week as rate cut speculation mounts ahead of the



*All yields are market convention
Source: Merrill Lynch

Bundesbank's council meeting on Thursday. The Bundesbank has scheduled [illegible] conference after the meeting [illegible] which it is expected to announce its 1993 profits, thought to be around DM20bn.

There is speculation that the Bundesbank will announce a half-point cut in the emergency Lombard funding rate, which has remained at 6.75 per cent since last October.

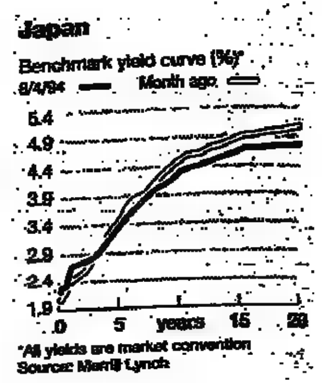
TOKYO — Emiko Terazono

The fate of Japanese financial markets and the economy rests with how soon the next government is formed following Prime Minister Morihiro Hosokawa's resignation announcement last Friday.

Political uncertainty is expected to last throughout the week, and investors are unlikely to take on large positions until there is [illegible] clear indication of what lies on the political horizon.

The worst case scenario for the economy, but a positive one for the bond market, would be if the current coalition proved unable to decide on the next prime minister, prompting a general election followed by a political realignment.

Meanwhile, worries of oversupply may weigh on the bond market as municipal governments and companies are likely to raise funds through the straight bond this month.



*All yields are market convention
Source: Merrill Lynch

Companies have had to refrain from corporate bond financing because of last month's volatility on the bond market.

However, some traders expect instability stemming from uncertainty over US interest rates to continue this week. Japanese bonds are likely to be affected if fears of [illegible] tightening by the US Federal Reserve Board destabilise the US Treasury bond market.

Capital & Credit / Antonia Sharpe

German traders hope for high-profile cut

The Bundesbank's [illegible] council members [illegible] scheduled [illegible] Thursday to hold their [illegible] meeting since [illegible] break, and [illegible] German government [illegible] hoping they will underline [illegible] but [illegible] decline in German [illegible] with [illegible] high-profile cut [illegible] official [illegible]

The [illegible] points [illegible] tender has brought the cumulative [illegible] in [illegible] repo [illegible] points [illegible] since [illegible] were introduced. The repo rate [illegible] stands [illegible] 5.73 per cent, compared [illegible] discount rate [illegible] per [illegible] and [illegible] Lombard [illegible] 6.75 per cent.

"The [illegible] policy [illegible] getting us ready for another [illegible] cut, but [illegible] not [illegible] market [illegible] feel that it's [illegible] one-way [illegible] week," [illegible] Dr Richard Reid, chief economist [illegible] Union Bank [illegible] Switzerland in Frankfurt. "All [illegible] want confirmation of [illegible] rates in Germany, but the [illegible] is not in the [illegible] of placating capi[illegible]

Speculation [illegible] half-point cut in [illegible] Lombard rate, [illegible] has remained unchanged since [illegible] Optimists justify their [illegible] by saying [illegible] will help to ease [illegible] have built up recently in [illegible] German money market, because [illegible] will find it less costly to borrow [illegible] from [illegible]

The change in [illegible] requirements for banks [illegible] the long [illegible] have contributed [illegible] conditions in the money market. The shortage [illegible] liquidity has [illegible] call [illegible] as high as 6.75 per [illegible] recent weeks, and [illegible] Bund[illegible] badly misjudged the situation in [illegible] when [illegible] drained [illegible] net DM1.8bn on Wednesday but then [illegible] to allocate DM7bn via [illegible] seven-day [illegible] morning after.

There are also hopes the Bundesbank will cut the discount rate by a half-point, although a [illegible] keep [illegible] rate unchanged should not lead to [illegible] disappointment [illegible] the market would then look to April 28 with even greater confidence.

"The odds are 60-40 for [illegible] cut of 50 basis points in the [illegible] count and the Lombard rates," [illegible] Dr Helmut Kaiser, [illegible] economist at Deutsche Bank in Frankfurt. He adds that in the event of [illegible] cut, the Bundesbank could bring the [illegible] down to 5.50 per cent but then switch [illegible] fixed-rate tender. This would signal a shift in [illegible] policy of nudging down [illegible] by using vari[illegible] tenders.

[illegible] expect [illegible] yield curve [illegible] steepen [illegible] speculation mounts in the run-up [illegible] Thursday. However, the market [illegible] likely to be kept guessing until the moment the Bundesbank makes public its decision, because [illegible] repo tender will [illegible] be [illegible] Wednesday [illegible] day later so [illegible] offset [illegible] boost [illegible] liquidity as it transfers its [illegible] profits, [illegible] DM20bn, [illegible] the government. As [illegible] result, traders will not have the usual 24 hours to con[illegible] their expectations either way.

In spite [illegible] the [illegible] optimism, seasoned Bundesbank [illegible] that [illegible] central bank will hold out until April [illegible] by which [illegible] it [illegible] evidence of declining inflation in Germany [illegible] improving [illegible] supply data.

"If [illegible] have [illegible] rate cut on Thursday [illegible] would be [illegible] Clarke style rather [illegible] the [illegible] typical [illegible] of the Bundesbank," [illegible] Mr Julian Callow, European economist [illegible] Kleinwort [illegible] in London. [illegible] although the [illegible] distanced itself from [illegible] in recent months, [illegible] ations in [illegible] numbers, [illegible] are still [illegible] large [illegible] justify a cut. In addition, [illegible] council members have been [illegible] in [illegible] M3 orthodoxy, he [illegible]

Ms Alison Cottrell, international economist [illegible] Midland Global Markets in London, [illegible] that unless [illegible] D-Mark breaks new [illegible] for the year this week, optimists [illegible] likely to be disappointed.

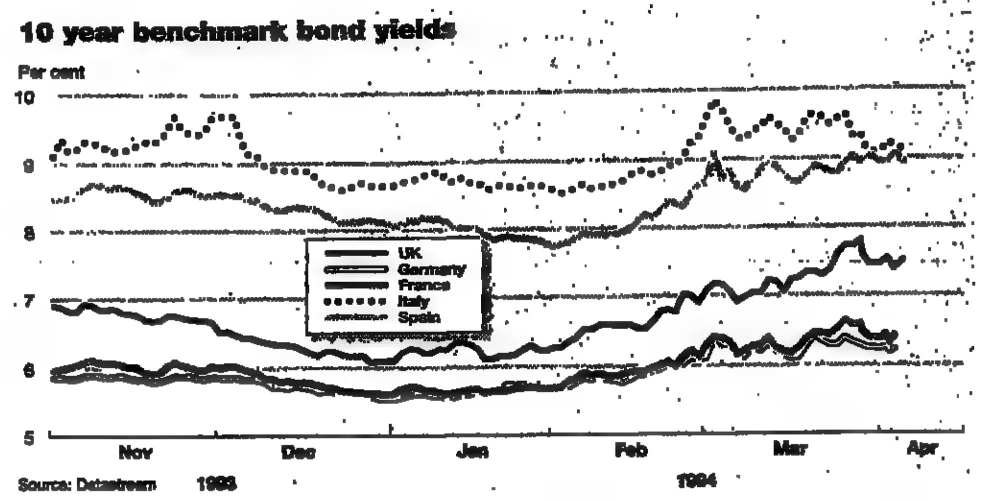
She believes the Bundesbank will not even [illegible] up a half-measure [illegible] cutting the Lombard [illegible] on [illegible] own, something [illegible] it has [illegible] just twice [illegible] past [illegible] during [illegible] of [illegible] international [illegible]

[illegible] the Lombard [illegible] funding rate, she says. "The Bundesbank [illegible] not [illegible] become used often, it should be only for emergencies," Ms [illegible]

In her view, [illegible] Bundesbank [illegible] prefer to [illegible] call money [illegible] by allocating [illegible] through [illegible] tender, [illegible] 6.15 [illegible] for example. In addition, [illegible] of [illegible] profits would [illegible] difficult simultaneously [illegible] official rates.

[illegible] Callow [illegible] ample room [illegible] keep cutting [illegible] repo rate by another quarter-point before it [illegible] cut [illegible] discount [illegible]

Analysts estimate that the Bundesbank would encounter technical difficulties if the [illegible] spread [illegible] went [illegible] 25 [illegible] points.



Source: Datastream 1993 1994

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	3.00	1.75	5.25	7.00[1]	7.50	5.25[2]
Overnight	3.38	2.25	5.69	6.12	8.12	4.25
Three month	3.64	2.25	5.66	6.00	8.08	5.19
One year	4.65	2.50	5.25	5.81	8.00	5.50
Five year	6.46	3.51	5.55	6.02	8.85	7.19
Ten year	6.98	3.94	6.39	6.55	8.81	7.63

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters.

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	105-12	104-27	-0-19	105-15	104-14	380,243	409,449
Sep	104-14	103-29	-0-19	104-15	103-14	3,085	45,113
Dec	103-21	103-07	-0-19	103-21	102-28	1,101	30,600

UK GILTS PRICES

	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

● 'Tap' stock. †† Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds. Weekly percentage changes are calculated on a Friday to Friday basis.

International / Sara Webb

Bond-dumping rears its head

In [illegible] notoriously cut-throat [illegible] of Eurobonds, the [illegible] difficult [illegible] conditions have brought to light one of [illegible] nastier syndicate practices – bond-dumping.

Last week, Goldman Sachs brought a $1.5bn floating-rate note for [illegible] Republic [illegible] Finland. [illegible] syndicate houses gave the [illegible] the thumbs down, saying it [illegible] sively priced, especially [illegible] was already plenty of left-over floating-rate paper sloshing around [illegible] market.

When the deal broke syndicate on Thursday, Goldman [illegible] it had managed [illegible] sell [illegible] portion [illegible] deal [illegible] in the [illegible] and Europe, but admitted it had had to buy back [illegible] $400m of [illegible] had [illegible] dumped by other members [illegible] syndicate.

Its rivals in [illegible] Eurobond [illegible] pointed out that Goldman [illegible] find it was sitting on a large pile [illegible] unsold bonds.

The case above, like many of the [illegible] launched in [illegible] quarter, has helped [illegible] focus Eurobond specialists' minds on [illegible] points - [illegible] towards increasingly aggressive pricing, and the [illegible] which have emerged in the current system [illegible] selling [illegible] distributing bonds.

Many syndicate officials complain that international bond [illegible] tend to be brought [illegible] aggressive a price. This [illegible] a [illegible] of the highly competitive bidding pro[illegible] that [illegible] place [illegible] banks [illegible] win the [illegible] for the deal.

And as borrowers are [illegible] ally driven by their bottom line when they [illegible] mandate, they have a tendency to [illegible] which comes up [illegible] the [illegible] pricing.

The [illegible] of this [illegible] especially obvious [illegible] the [illegible] facing difficult conditions, as they [illegible] now.

[illegible] clearly [illegible] in many cases [illegible] be adopting a "wait-and-see" attitude, rather than regarding particular [illegible] issues as a "must-buy". As [illegible] result, deals [illegible] taking longer [illegible] place, and [illegible] chunks [illegible] the [illegible] launched in [illegible] quarter [illegible] 1994 [illegible] still [illegible] firmly with the lead [illegible]

The [illegible] point being discussed more widely among syndicate managers concerns the [illegible] are underwrit[illegible] and sold. Many feel some syndicate [illegible] prepared [illegible] work for their fees, preferring [illegible] dump the [illegible] they have [illegible] allocated [illegible] the deal [illegible] broken syndicate, spoiling the [illegible] and undermining investor confidence still further.

Enter CS First Boston, [illegible] is proposing that [illegible] system under which bonds are underwritten [illegible] sold should [illegible] amended. It is holding informal discussions with other [illegible] and with IPMA (the International Primary Market Association).

The [illegible] price reoffer method of syndicating Eurobonds was [illegible] in [illegible] Under this system, the [illegible] firm [illegible] the price at which the [illegible] can be traded (known as the [illegible] price reoffer).

Once it is [illegible] bonds have been placed with end investors, the bond issue is [illegible] to find [illegible] free market price. [illegible] the [illegible] manager [illegible] support the bond price [illegible] the [illegible] price reoffer level: however, [illegible] participants in [illegible] deal do not [illegible] obliged [illegible] do [illegible]

"The co-managers in [illegible] transaction [illegible] confident [illegible] getting their allocation [illegible] bonds, and they know they will [illegible] their fees anyway, [illegible] which point everyone dumps bonds on [illegible] and pockets the fees. There's no inclination among [illegible] syndicate [illegible] support the [illegible] so the bond [illegible] gets off to [illegible] bad start," points [illegible] one syndicate member [illegible] a UK house.

"We think the market [illegible] problem: [illegible] fixed price [illegible] system [illegible] excellent, but the trouble [illegible] it has become so rigid it [illegible] open to abuse," [illegible] Mr Marcus Everard, head of debt capital markets [illegible] CS [illegible]

"The market has lost the distinction [illegible] underwriting and selling. In [illegible] scenario (in [illegible] current market set-up [illegible] lead [illegible] supports [illegible] at the [illegible] price reoffer), [illegible] the [illegible] and co-leads [illegible] securities equal [illegible] their underwriting commitment, they [illegible] little incentive [illegible] them."

[illegible] First Boston has suggested [illegible] one way around this problem would be to sepa[illegible] underwriting and [illegible]ing processes. [illegible] manager would invite other banks [illegible] underwrite [illegible] deal for a fee but would [illegible] guarantee to allot bonds [illegible] houses. Instead, the underwriting banks [illegible] request the amount of paper [illegible] sell to [illegible]

Some Eurobond specialists think the [illegible] system would [illegible] be open to abuse, with lead [illegible] hogging [illegible] bulk [illegible] popular deals, and only allowing the other syndi[illegible] members to participate fully in the [illegible] issues.

Mr [illegible] this [illegible] criticism, but [illegible] there would have to be "an element [illegible] reciprocity [illegible] the major participants" or it simply would not work – even though the Eurobond business [illegible] known for [illegible] altruism. In other words, [illegible] which failed [illegible] co-operate and only came in [illegible] ride would be "punished" next time around [illegible] squeezed out.

An alternative might [illegible] on the [illegible] building [illegible] in [illegible] tional equities field.

"It would [illegible] lovely [illegible] have that sort of exercise in [illegible] bond market and [illegible] extent [illegible] already happens with [illegible] is pre-marketed with an indicated pricing range," [illegible] one Eurobond specialist.

[illegible] are problems with this [illegible] though: the time taken [illegible] bring a [illegible] can [illegible] very short [illegible] it [illegible] be determined by fleeting swap opportunities, [illegible] the perception of [illegible] demand, so it might [illegible] sible [illegible] spend days or hours conducting a book-building [illegible]

Bond specialists point out [illegible] in [illegible] early stages. However, many [illegible] trend will have [illegible] be [illegible] distribution skills.

NEW INTERNATIONAL [illegible] ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Tate 2000(a)§	40	Apr.1997	9.75§	100.00	-	-	Bankers Trust Intl.
Republic of Finland(a)‡	1.5bn	May.1999	(i)	99.68R	-	-	Goldman Sachs Intl
Thermo Electron Corp.(f)§	[illegible]	Apr.2001	5.00#	100.00	-	-	Lehman Brothers Intl.
D-MARKS							
Commerzbank O'seas Finance	500	Apr.1999	6.00	101.90	5.554	-	[illegible]
YEN							
Merrill Lynch & Co.(b)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	Merrill Lynch Intl.
Honda Intl. Finance(b)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	Merrill Lynch Intl.
STERLING							
Tate & Lyle Intl. Finance(b)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Northern Rock [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gracechurch [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FRENCH FRANCS							
Province of Quebec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SNCF	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ITALIAN LIRE							
International Finance Corp.(c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
General Electric Cap.Corp.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kingdom of Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bayerische [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
WestLB Europa	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

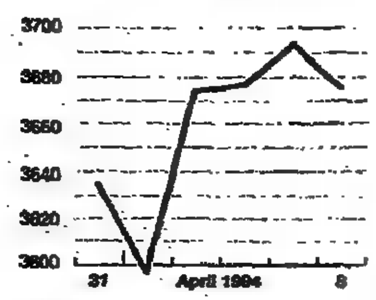
Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
CANADIAN DOLLARS							
General Electric Capital Corp.	100	May.1999	8.00	99.443R	8.140	+30 (5¾%-99)	ScotiaMcLeod
Bayerische Landesbank	100	May.2004	[illegible]	[illegible]	8.615	+35 (6½%-04)	ScotiaMcLeod
Norwest Financial Canada(c)	75	May.1999	8.50	98.675R	8.839	+79 (7¾%-99)	Wood Gundy
AUSTRALIAN DOLLARS							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

مكاسب الاجل

EQUITY MARKETS: This Week

NEW YORK — Frank McGurty

Brokers look for calmer conditions



Source: FT Graphite

After Friday's bumpy ride, the fragile peace that Wall Street enjoyed [illegible] the middle of last week should return this morning, but the beginning of the corporate results season could bring fresh complications.

At least one market strategist is brimming with confidence. Late last week, [illegible] Gail Dudack at S.G. Warburg went out on a limb by predicting that Tuesday's 82-point rally would go down as the end of the correction phase for equities.

"The panic selling which characterised markets [around the Easter holiday]... reversed on Tuesday in a classic bottoming pattern," says Ms Dudack. She points out that 89 per cent of that session's volume was in advancing issues, after a long sequence in which declines represented 85 per cent of the activity.

Her counterparts are generally more circumspect, however. Most ana[illegible] believe the underlying tensions of recent weeks are still lurking just below the surface. Their presence was felt painfully on Friday, when a lazy session was jolted to life by sell programs activated in the early afternoon by a gradual erosion in bonds.

While generally confident that the worst of the volatility is over, analysts warn of the possibility of a reprise in coming sessions. "I see the market struggling upward in the short term," says Mr Alfred Goldman, technical analyst at A.G. Edwards in St Louis. Although stocks have moved past their "peak downside intensity", he believes there is still a chance of a milder re-run of the Easter action.

Mr Hugh Johnson, chief investment strategist at First Albany, says there are two reasons to expect smooth conditions this week. First, investors are exhausted from the events of the past fortnight. Second, it is unlikely that this week's producer [illegible] consumer price indices will produce any surprises. Even if [illegible] do, [illegible] Federal Reserve is looking more closely at leading indicators, such as commodity and industrial material prices, rather than readings of current inflation such as the PPI and CPI.

The flood of results which will begin to trickle in to Wall Street this week is likely to produce a few surprises, but with expectations running high, the net impact on stocks could be negative.

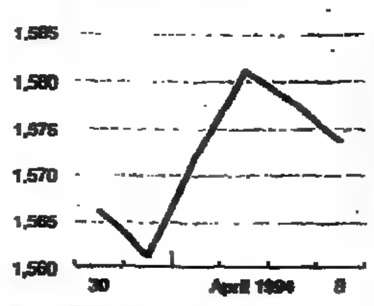
"Unless earnings come in unexpected either way, they may not have any effect," says Mr Paul Stanton, head of over-the-counter trading at Johnson Lemon. He says strong earnings projections are already priced into the market and that disappointments could present a genuine threat to share valuations.

However, speculation over the timing of the Federal Reserve's third tightening of monetary policy will continue to dominate.

Action by the Fed seems almost inevitable to many observers, such as Mr Bill Dodge at Dean Witter Reynolds in New York. In the run-up, he sees stocks taking more knocks, although he draws some encouragement from last week's rally. "It at least showed that the downside can be contained," he says.

LONDON — Byland

Pundits split over second quarter start



[illegible] FT [illegible]

Whatever deeper economic fundamentals may still [illegible] UK stocks, one significant feature of the market background has shifted. The UK tax-year deadline has come and gone, and with it the close of a painful 1994 first-quarter performance by UK equities. Fund managers have presumably taken the pain, cleared the decks, and must [illegible] to follow the bulls or the bears.

The [illegible] quarter [illegible] investors clearly uncertain and market strategists sharply divided in their views. The bears would argue that the stock market did well to survive the Easter weekend without something like a repetition of autumn 1987. Even without such alarms, the market ended the first quarter some [illegible] per cent below its peak and the problems which brought that setback – [illegible] inflation worries and a tightening credit regime at the US Federal Reserve – are still with us.

For the near term, there are signs that the European markets, having become bored with minor adjustments to repo rates, are looking keenly for a significant cut in rates in Germany when the Bundesbank meets on Thursday. But analysts suggest the UK market may now [illegible]centrate on its [illegible]

There is general, if reluctant, agreement that UK base rates are likely to be cut as consumers face up to the £8bn or so tax increases to be implemented this month. Mr Nicholas Knight, [illegible] Nomura Securities, believes investors may see this as a signal to sell equities, since it will imply harsher treatment in the second half of the year. His forecast of a [illegible] at 2,800 in the near future has not been forgotten by the stock market.

But there is a case for the bulls. The strongest factor for equity optimism is that dividend yields on equities are rising steeply, and have already taken the yield relative to bonds below its 10-year average. Strauss Turnbull puts the prospective yield on equities at 4.1 per cent, based on forecast dividend growth of about 10 per cent. This is the aggregate dividend rise so far this year.

The dividend argument is particularly significant for the water companies The sector has underperformed by about 10 per cent since the turn of the year, partly because impending regulatory developments have inhibited investors and because rising gilt yields have reduced the attractions of utilities.

BZW and Kleinwort Benson agree that Ofwat's pricing review, not due until July, will continue to cast a shadow. But BZW predicts a major revaluation of the sector, pointing out that regulatory risk will at least be reduced dramatically after July. Kleinwort believes the sector will turn in higher profits and dividend growth of around 8 per cent, albeit at the cost of dividend cover.

At least part of the potential upside could arrive soon, according to BZW, which discounts any further threat from gilts in the near term. The firm focuses on water companies offering the significant dividend growth which will be associated with equally significant cost-cutting programmes.

INDICES AT A GLANCE

	Closing price	Percentage change: Over week	On 12 months	Since Jan 1	12 month High		12 month Low		1994 High		1994 Low	
FT-SE 100	3,120.80	+1.1	-10.6	-8.7	3,520.30	2/2/94	2,786.30	6/5/93	3,520.30	2/2/94	3,086.40	31/3/94
Dow Jones Ind	[illegible]	+1.0	+8.2	-2.1	3,978.36	31/1/94	3,396.48	8/4/93	3,978.36	31/1/94	3,593.35	4/4/94
Nikkei	[illegible]	[illegible]	[illegible]	+14.5	21,148.11	13/9/93	16,078.71	29/11/93	20,677.77	18/3/94	17,369.74	4/1/94
Dax	[illegible]	[illegible]	[illegible]	-2.3	2,267.98	3/1/94	1,603.04	24/5/93	2,267.98	3/1/94	2,020.33	2/3/94
CAC 40	[illegible]	[illegible]	[illegible]	-8.8	2,355.93	2/2/94	1,835.72	17/5/93	2,355.93	2/2/94	2,051.94	31/3/94
[illegible]	[illegible]	[illegible]	[illegible]	+22.1	756.68	8/4/94	508.01	16/6/93	756.68	8/4/94	588.85	10/1/94

Closing prices as of [illegible]. Source: FT Graphite

OTHER MARKETS

TOKYO

Investors succeeded in absorbing Prime Minister Morihiro Hosokawa's unexpected resignation announcement quickly last Friday but uncertainty over the political situation could weigh on share prices this week. The main focus for the stock market will be the passage of the 1994 budget, which has been stalled by the opposition parties.

FRANKFURT

The Bundesbank meets for the first time in four weeks on Thursday. James Capel notes that the repo rate has fallen by 15 basis points from 5.88 per cent since the last meeting. The broker says there is an outside chance of a cut in the key discount rate [illegible] this week's meeting, although it expects the more likely date for the next reduction is April 28.

MILAN

The Italian president makes known on Friday who will [illegible] the country's prime minister. [illegible] says that while Mr Silvio [illegible] is widely expected to be asked to form a government, the brinkmanship and politicking seen at the end of last week will continue.

However, this background should not detract from the momentum that is driving equities, bonds and the [illegible]

PARIS

Michelin, the tyre manufacturer, reports [illegible] Wednesday and the consensus estimate is [illegible] a full-year loss of FFr3.2bn as a result of the downturn in the European automobile industry and exceptional charges relating to its restructuring. Accor, the hotel and tourism group, also reporting on Wednesday, is expected to announce a fall in net income of about 25 per cent, depending on exceptional items.

COPENHAGEN

Today sees the first day of trading in Copenhagen Airport shares, and it is also the first day of subscription for Tele Danmark for domestic, non-institutional investors.

STOCKHOLM

The equity market is expected to continue last week's strong run. UBS says news that foreign investors were net buyers of SKr8.3bn of equities during February, a time when the market was falling, suggests domestic institutions have already built up substantial reserves of liquidity in advance of the hefty new issue programme.

RISK & REWARD

Switch to bearish stance may lift hedge funds

As the US House banking committee [illegible] its hearings on hedge funds this week, and the [illegible] US banks report their first-quarter results, [illegible] will again [illegible] drawn to the heavy losses incurred by fund [illegible] and market participants during the recent sharp price declines in many [illegible] world's [illegible]cial markets.

However, [illegible] over, [illegible] many traders have managed [illegible] their positions [illegible] account of [illegible] switch from bullish to bearish [illegible]

During [illegible] wave of price falls in February, the main sellers [illegible] funds (which [illegible] forced [illegible] liquidate positions, largely in [illegible] markets, [illegible] high degree [illegible] leverage) and proprietary [illegible] (dealers [illegible] securities [illegible] taking positions with their institution's [illegible] capital).

Many mainstream institutional fund managers held their fire during this initial period, [illegible] there [illegible] no change in [illegible].

However, in [illegible] many institutions were forced to reassess this view.

Many fund managers appear to have sold futures to hedge their long positions in bonds, creating record trading volume on futures exchanges in the first quarter.

"Hedge funds have probably got out of about 80 per cent of their positions and indeed have gone the other way," said one fund manager.

As a result, he believes "there is still some cash selling to come, but it will be against buying in futures".

The theory that many fund managers have at least gone some way to reversing bull market positions held at the start of the year is backed up by better performance figures for March.

The Managed Account Reports (MAR) trading adviser [illegible] showed a decline of just 0.01 per cent in March, with just [illegible] half of the advisers showing a positive return, to give a first-quarter fall of 5.19 per cent. According to Ms Lois Pelz, managing editor [illegible] MAR, "the [illegible] who [illegible] able [illegible] realise a profit [in March] took short positions [illegible] financials [illegible] the dollar".

TASS Management, which [illegible] tracks futures funds, found a [illegible] for March [illegible] plus 20 [illegible] minus [illegible] per [illegible] among the top 50 managers – which [illegible] them [illegible] around [illegible] per [illegible] date.

[illegible] the [illegible] hundred-plus hedge funds tracked by TASS, [illegible] decline [illegible] around 7 [illegible] cent. "In February and March people [illegible] reducing leverage. [illegible] did well [in March] [illegible] it in bonds, by flipping round positions," according to Ms [illegible].

Nevertheless, [illegible] little sign [illegible] any of this has helped [illegible] confidence. [illegible] reason [illegible] by [illegible] collapse [illegible] hedge funds managed by Mr [illegible] Askin, with total equity [illegible], mainly [illegible] in mortgage-backed [illegible].

[illegible] for the concern generated by the funds' collapse [illegible] they [illegible] supposed [illegible] be [illegible] averse. In addition, [illegible] have been difficulties in valuing the [illegible] illiquid instruments [illegible] by [illegible] funds.

"They were supposed [illegible] neutral strategy, which means you try to hedge out volatility. A lot of banks are re-evaluating relationships with other hedge funds as a result," said one hedge fund specialist.

Meanwhile, for those fund managers and traders who have created short positions in the bond market, the next fear is the markets will now start to rally strongly, forcing them to buy back into the markets at a higher level, thus incurring further losses.

Tracy Corrigan

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 8 / Sch)

BELGIUM/LUXEMBOURG (Apr 8 / Frs.)

DENMARK (Apr 8 / Kr)

FINLAND (Apr 8 / Mk)

FRANCE (Apr 8 / Frs.)

GERMANY (Apr 8 / Dm.)

ITALY (Apr 8 / Lire)

NETHERLANDS (Apr 8 / Fls.)

NORWAY (Apr 8 / Kroner)

SPAIN (Apr 8 / Pts.)

SWEDEN (Apr 8 / Kronor)

SWITZERLAND (Apr 8 / Frs.)

[illegible]

PACIFIC

JAPAN (Apr 8 / Yen)

HONG KONG (Apr 8 / H.K.$)

MALAYSIA (Apr 8 / MYR)

SINGAPORE (Apr 8 / S$)

AUSTRALIA (Apr 8 / Aust$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Apr 8 / Can $)

4 pm close

MONTREAL (Apr 8 / Can $)

4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Apr 8 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). ¶ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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TOKYO – MOST ACTIVE STOCKS: Friday, April 8, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sumitomo Coal	9.3m	566	-16	Kawasaki Steel	7.1m	368	+3
Ricoh	8.9m	882	+12	Hitachi	6.6m	954	+14
Teijin	8.2m	592	+14	Honshu Paper	6.2m	795	+10
M'bishi Rayon	7.7m	407	+13	Mitsui Toatsu	5.8m	401	+28
Nippon Steel	7.1m	353	+13	Denki Kagaku Kgy	5.5m	389	+15

INDICES

	Apr 8	Apr 7	Apr 6	1994 High		1994 Low	
Sweden							
AffarsvardnGen (1/2/37)	1476.8	1474.1	1468.4	1603.60	31/1	1403.60	31/3
Switzerland							
Swiss Bk Ind (31/12/58)	1343.91	1341.93	1336.87	1423.34	31/1	1280.64	2/3
SBC General (1/4/87)	1006.19	1002.10	993.08	1093.29	31/1	973.35	2/3
Taiwan							
WeightedPr.(30/6/66)**	5528.47	5475.66	5481.88	[illegible]	[illegible]	[illegible]	19/3
Thailand							
Bangkok SET (30/4/75)	1224.0	1224.74	(c)	1753.73	[illegible]	1196.59	[illegible]
Turkey							
Istanbul Cmp.(Jan 1986)	20034.0	18610.7	18659.1	20883.60	13/1	12980.70	[illegible]
WORLD							
MS Capital Int (1/1/70)$	[illegible]	605.4	602.5	[illegible]	1/2	591.60	[illegible]
CROSS-BORDER							
Eurotrack 100(26/10/90)	1461.08	1457.70	1446.03	1540.19	31/1	[illegible]	2/3
Euro Top-100 (26/6/90)	1255.09	1249.78	1239.29	1311.81	2/2	[illegible]	2/3
JCapeDrgns (31/12/88)	(u)	306.30	305.29	395.19	5/1	[illegible]	[illegible]
Barings Emerg.(7/1/92)	151.32	149.94	149.15	182.72	14/2	[illegible]	5/4
Malaysia							
KLSE Comp.(4/4/86)	951.95	966.18	964.51	1314.46	5/1	928.33	4/4

** Sat Apr 2 : Taiwan Weighted Price 5420.88; Korea Comp Ex 856.37. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. † IBIS/DAX after-hours index: Apr 8 - 2203.18 +0.61

CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Apr	2134.0	2119.0	-12.0	2140.0	2114.0	19,582	26,599
May	2135.0	2120.0	-12.0	2137.5	2116.5	190	8,983
Jun	2119.0	2103.0	-12.0	2119.0	2099.0	695	21,482

Open interest figures for previous day.

US INDICES

RATIOS

	Mar 31	Mar 25	Mar 18	Year ago
Dow Jones Ind. Div. Yield	2.81	2.70	2.62	3.04
	Apr 6	Mar 30	Mar 23	Year ago
S & P Ind. Div. yield	2.48	2.51	2.39	2.49
S & P Ind. P/E ratio	23.87	23.56	24.83	26.13

STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Close	Change	High	Low	Est. vol.	Open int.
Jun	450.60	447.25	-3.25	450.95	448.75	[illegible]1,775	184,280
Sep	450.90	449.10	-3.30	451.00	450.80	494	6,811
Dec	453.20	451.15	-3.45	453.20	453.20	421	5,305

Open interest figures are for previous day.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Pacific Tels	4,011,300	22¾	+2¼
Chrysler	3,604,300	51	-2⅜
Airtouch	3,417,100	21⅛	+¼
Gen Motors	3,087,600	57¼	-2⅜
Telefonos	3,067,700	58⅜	-1⅛
Amer Express	2,966,100	29⅝	+1⅛
Woolworth	2,779,100	15	+⅛
Merck	2,340,900	30	+¼
Nationsbank	2,333,400	49⅝	+1⅝
Philip Morris	2,289,500	49¼	-1⅛

TRADING ACTIVITY

● Volume (million)	Apr 8	Apr 7	Apr 6
New York SE	257.465	281.320	300.789
Amex	14.345	16.289	16.404
NASDAQ	(u)	284.686	293.824
NYSE			
Issues Traded	[illegible]791	2,772	2,799
Rises	802	1,363	1,271
Falls	1,388	758	950
Unchanged	601	651	578
New Highs	24	32	19
New Lows	78	58	80

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation.
♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ■ Subject to official recalculation.

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated [illegible] individual unit trust [illegible] follows: (V) - 0001 to [illegible] 400 hours; (♦) - [illegible] 701 to midnight. [illegible] prices are set on the basis of the [illegible] a short period of time may [illegible] prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

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OTHER UK UNIT TRUSTS

INSURANCES

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Dresdnerbank Asset Mngmt SA (u)

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APRIL 11 1994

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Apr 8		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.7530	[illegible]	433 - 627	17.7873	[illegible]	17.7492	[illegible]	[illegible]	0.2	-	-	113.2
Belgium	(BFr)	52.0514	+0.1049	086 - 941	52.1374	[illegible]	[illegible]	-0.8	[illegible]	[illegible]	[illegible]	[illegible]	114.3
Denmark	(DKr)	[illegible]	[illegible]	851 - 947	9.9111	9.8787	[illegible]	-1.2	[illegible]	[illegible]	9.8231	-0.3	114.1
Finland	(FM)	[illegible]	[illegible]	[illegible]	8.1560	8.1040	-	-	-	-	-	-	82.0
[illegible]	(FFr)	8.6664	[illegible]	502 - 605	8.6774	[illegible]	8.6607	[illegible]	[illegible]	[illegible]	[illegible]	-0.4	108.8
Germany	(DM)	[illegible]	[illegible]	250 - 279	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.5183	0.3	[illegible]
Greece	(Dr)	[illegible]	[illegible]	121 - 110	[illegible]	370.416	-	-	-	-	-	-	-
Ireland	(I£)	[illegible]	[illegible]	[illegible] - 390	[illegible]	[illegible]	[illegible]	-1.0	1.04	[illegible]	1.0452	-0.7	102.7
Italy	(L)	2403.81	[illegible]	225 - 536	2414.57	[illegible]	2410.01	-3.1	[illegible]	-3.2	[illegible]	-2.7	[illegible]
Luxembourg	(LFr)	[illegible]	[illegible]	[illegible] - 941	52.1374	[illegible]	52.0854	[illegible]	[illegible]	-0.8	[illegible]	-0.2	114.3
Netherlands	(Fl)	[illegible]	+0.0074	[illegible] - 380	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.1	117.9
Norway	(NKr)	[illegible]	+0.0125	303 - 407	10.9610	10.9016	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	(Es)	[illegible]	+1.307	771 - 240	[illegible]	255.686	[illegible]	-4.8	[illegible]	-4.5	-	-	-
Spain	(Pta)	[illegible]	[illegible]	[illegible]	204.618	203.806	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-2.4	[illegible]
Sweden	(SKr)	[illegible]	+0.0392	312 - [illegible]	11.6947	[illegible]	[illegible]	-2.2	[illegible]	[illegible]	[illegible]	-1.5	[illegible]
Switzerland	(SFr)	2.1293	+0.0008	279 - [illegible]	[illegible]	[illegible]	[illegible]	1.0	[illegible]	1.2	2.0952	1.8	117.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.0
Ecu	-	1.3050	[illegible]	042 - 057	[illegible]	[illegible]	1.3061	-1.0	1.3077	-0.8	1.3079	-0.2	-
SDR†	-	0.851177	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4731	+0.0075	711 - 750	1.4775	1.4711	-	-	-	-	-	-	-
Brazil	(Cr)	1481.22	[illegible]	071 - 172	1482.00	1451.00	-	-	-	-	-	-	-
Canada	(C$)	[illegible]	+0.0019	348 - 367	2.0406	2.0319	[illegible]	[illegible]	2.036	-0.5	2.0510	-0.8	87.4
Mexico	(New Peso)	[illegible]	+0.0286	616 - 622	[illegible]	[illegible]	-	-	-	-	-	-	-
USA	($)	[illegible]	+0.0075	740 - 750	[illegible]	[illegible]	[illegible]	1.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pacific/Middle East/Africa													
Australia	(A$)	[illegible]	-0.0302	281 - 308	[illegible]	2.0281	[illegible]	0.9	[illegible]	[illegible]	[illegible]	[illegible]	-
Hong Kong	(HK$)	11.3939	+0.0584	893 - 985	[illegible]	[illegible]	[illegible]	1.4	[illegible]	[illegible]	[illegible]	[illegible]	-
India	(Rs)	46.2477	+0.2297	246 - 708	46.3680	46.1770	-	-	-	-	-	-	-
Japan	(Y)	[illegible]	[illegible]	[illegible]	156.040	154.450	[illegible]	3.0	[illegible]	[illegible]	[illegible]	3.1	[illegible]
Malaysia	(M$)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5767	-0.0072	742 - 791	2.6039	2.5735	[illegible]	-1.4	[illegible]	-1.1	[illegible]	[illegible]	-
Philippines	(Peso)	[illegible]	[illegible]	878 - 575	40.8575	40.3979	-	-	-	-	-	-	-
Saudi Arabia	(SR)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
Singapore	(S$)	[illegible]	+0.0111	127 - 158	2.3212	2.3126	-	-	-	-	-	-	-
S Africa (Com.)	(R)	[illegible]	[illegible]	421 - 461	[illegible]	[illegible]	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	[illegible]	[illegible]	965 - 163	7.4218	7.1757	-	-	-	-	-	-	-
South Korea	(Won)	1186.45	+8.57	[illegible]	1196.62	1183.76	-	-	-	-	-	-	-
Taiwan	(T$)	38.8800	[illegible]	664 - 105	38.9800	38.5500	-	-	-	-	-	-	-
Thailand	(Bt)	37.3491	+0.2048	217 - 765	37.4358	37.2[illegible]	-	-	-	-	-	-	-

[illegible]

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

[illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

D-MARK FUTURES (IMM) DM 125,000 per DM

[illegible]

SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

[illegible]

JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

[illegible]

STERLING FUTURES (IMM) £62,500 per £

[illegible]

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on page 23 in today's edition.

Pound in New York

[illegible]

FIXED INTEREST RATES

MONEY RATES

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

THREE MONTH EUROSDOLLAR (IMM) $1m points of 100%

[illegible]

US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

BANK RETURN

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

STOCK EXCHANGES

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

[illegible]

STOCK INDICES

[illegible]

FT-SE SmallCap ex ITs	1885.16	1886.[illegible]	1885.73	1881.20	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A All-Share	1574.62	1578.41	1580.52	1573.23	1581.97	1784.11	1581.97	1784.11

FT GOLD MINES INDEX

	Apr 8	% chg since 31/12/93	Apr 7	Mkt Cap $m	% of Gold Mines	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1982.21	-12.1	1951.[illegible]	44.63	100.00	1.67	2367.40	1280.39
■ Regional Indices								
[illegible] (15)	2515.02	-23.9	2508.76	11.17	[illegible]	[illegible]	[illegible]	[illegible]
Australasia [illegible]	2627.86	-1.4	2593.3[illegible]	[illegible].77	15.16	1.43	3013.69	[illegible]
North America (11)	1700.55	-8.6	1691.61	28.69	59.80	0.95	2039.65	1177.42

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: Apr 8 : 202.0; week's change: -8.6 points; Year ago: 128.7. † Partial.

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	*[illegible] Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	Standard Chartered	5.25
Bank of Baroda	5.25	Girobank	5.25	TSB	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	●United Bk of Kuwait	5.25
Bank of [illegible]	5.25	Habib Bank AG [illegible]	5.25	Unity Trust Bank Plc	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Western Trust	5.25
Bank of India	5.25	Heritable & Gen Inv Bk.	5.25	Whiteaway Laidlaw	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25	Yorkshire Bank	5.25
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	*Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of British Merchant Banking & Securities Houses Association
* In administration

LONDON RECENT ISSUES: EQUITIES

[illegible]

CONTRACTS & TENDERS

FIJI POSTS & TELECOMMUNICATIONS

[illegible] PROCUREMENT NOTICE

THIRD TELECOMMUNICATIONS PROJECT (2ND PHASE)

IBRD LOAN NO.3074

TELEPHONE CABLES/QUALITY ASSURANCE SERVICES

TENDER NO. 02/94

The Fiji Posts and Telecommunications Limited (FPTL), through the Republic of Fiji has received a loan from the IBRD of the World Bank towards the cost of the Third Telecommunications Project (2nd Phase) and in particular Telephone Cables.

Part of this finance has been allocated for some 37 thousand pair kilometres of cables [illegible] hardware to achieve the following objectives:

- Expansion of Network to increase working [illegible] in Fiji and overcome congestion/interworking problems.
- Enhance performance by reducing faults due to cyclones, poor workmanship, line testing system, fault reporting and analysis.
- Major reduction of waiters.

Cables Quality Assurance; Audit and Related Services will also be required in countries that will be awarded tender for Cables manufacturing and supply.

Prospective cable manufacturers, suppliers and Quality Assurance Consultants who are interested should contact the undersigned for details before 22/4/94 as Tender close on 3/6/94.

Joseva Gavidi
Materials Manager
Fiji Posts & Telecommunications Limited
PO Box 40, Suva - Fiji
Telephone: 679 210614
[illegible]

ATLANTIC COMPUTERS PLC (IN ADMINISTRATION)

SCHEME OF ARRANGEMENT

On [illegible] February 1994, notice was given of a [illegible] Scheme of Arrangement under Section 425 of the Companies Act 1985 in relation to Atlantic Computers Plc (in administration) ("ACP").

Notice is hereby given that the Scheme (as amended) has been approved by the necessary majority of creditors and by the Court. The date on which the Scheme became effective (defined in the Scheme as the "Effective Date") was 31 March 1994.

Under the terms of the Scheme, Scheme Creditors have until 29 April 1994 to submit details of any claims they have against ACP. Failure to do so will generally prevent them from participating in distributions under the Scheme. Scheme Creditors who are known to the Scheme Administrators have been sent a form marked "Notice of [illegible]". It should be completed in [illegible] with the instructions contained on it and returned by 5.30pm on 29 April 1994. Any person or entity claiming to be a Scheme Creditor of ACP who has not received such a form by 11 April 1994 should immediately contact the Scheme Administrators, c/o Price Waterhouse (Ref: JFS), No 1 London Bridge, London SE1 9QL (telephone: 071 [illegible] 8220).

JF [illegible] PS Padmore, Joint Administrators of Atlantic Computers Plc.

April 1994

LONDON SHARE SERVICE

BANKS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl		£22¾	−.8	Q81%	ϕ	Sep May	1.9	1587
ANZ A$		235¼	5.0	Q28c	0.7	Jan Jul	9.12	–
Abbey National	N	494xd	−.3	14.0	2.1	May Oct	14.3	5411
Allied Irish I£		249xd	0.8	Q52%	ϕ	Oct May	28.2	1364
Anglo Irish I£		68	−1.8	Q17.9%	1.7	Jan Jul	29.11	1355
Asahi Y		709	1.6	Q16%	1.3	Jan Dec	12'92	3849
Banco Bil Viz Pta		£16¾	−.4	Q27.2%	2.7	JyOcJaAp	13.7	–
Banco Sant Pta		£31⅛	–	Q38.1%	2.0	ApJyOcJa	30.10	–
Bk Ireland I£		285	2.0	Q13¼%	1.5	Jul Dec	15.11	1380
Bank Scotland		188	−2.1	4.67	1.6	Dec Jul	18.10	1742
9¼pc Pf		127½	−.8	9¼%	–	May Nov	18.10	1482
9¾pc Pf		134½	−.4	9¾%	–	May Nov	18.10	–
Barclays	N	528xd	0.4	16.15	1.6	Oct May	14.3	1754
Dai Ichi Kan Y		£12⅛	4.9	Q18%	3.2	Jan Dec	27.9	3221
Deutsche DM		£319¾	−.1	Q30%	–	May	24.5	2345
Espirito Santo		£20¾	0.7	Q120c	5.2	Jan	4.6	6187
First Nat Fin	N	70	−5.4	1.5	–	Mar	17.1	2571
6.3pc Cv Pf		85	–	6.3%	–	Jul Jan	4.1	2570
7pc Cv Pf		149	−2.0	7.0	–	Jul Jan	4.1	–
Fuji Bank Y		1489	4.9	Q17%	2.3	Dec Jun	4.7	–
HSBC HK		780xd	3.4	23.5	ϕ	Nov Jun	14.3	2798
HSBC (75p Shs)		780xd	2.8	23.5	ϕ	Nov Jun	14.3	2776
Lloyds	N	582xd	0.5	22.1	2.1	Oct May	14.2	3171
Mitsubishi Y		£18⅝	4.1	Q17%	2.3	Jan Dec	12'92	5298
Mits Tst & Bk Y		1025	7.5	Q16%	12.4	Jan Dec	12'92	4775
Mitsui Tst & Bk Y		754¼	7.5	Q17%	5.5	Jan Dec	12'92	5388
Nat Aust A$		579½	6.1	Q50c	1.7	Jul Jan	9.6	–
NatWest	N	478xd	4.0	18.6	2.1	Oct May	28.2	3483
Omnium FFr		£30½	–	Q125%	2.8	May	12.5	–

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Cont.

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Finelist (Dists.), Natwest Smaller Co's. C (Inv. Tst.) and Brightstone Props (Property). Deletions: Bank Leumi (Banks), Resort Hotels (Leisure & Hotels), Triton Europe (Oil Expln. & Prod.), Merlin Intl., Micklegate and Palmerston (Property).

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For up-to-the-second share prices call FT Cityline on 0336 43 or 0891 43 followed by the four-digit code listed after the share price. Calls charged at 39p per minute cheap rate and 49p per minute at all other times.

An international service [illegible] for callers outside the UK, annual subscription [illegible]

Call 071-873 4378 (+44 71 873 4378, international) for more information on FT Cityline.

4 pm close April 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17 3/8	14 1/8	AAR	0.48	3.0	525	87	16	15 3/4	15 3/4	-1/8
16 7/8	14	A L Labs A x	0.18	1.1	38	48	15 7/8	15 3/4	15 3/4	-1/8
65 1/2	56 3/4	AMP	1.68	2.8	21	3202	60 5/8	59 1/2	59 7/8	-1
72 3/4	55 1/2	AMR			28	4499	59 1/4	57 7/8	57 7/8	-3/4
5	3 5/8	ARX			15	87	4 5/8	4 1/2	4 5/8	+1/8
56 1/8	41 1/2	ASA	[illegible]	[illegible]	27	780	42 1/8	d41 1/8	41 3/8	-1/8
30 3/8	25 3/8	AbbtL	[illegible]	[illegible]	15	9957	26 3/4	26	26 3/8	-1/2
13 3/4	11 3/8	Abitibi Pr	[illegible]	[illegible]	8	67	12 3/4	12 5/8	12 5/8	
13 3/4	11 1/8	Acptncein			21	700	11 3/4	11 5/8	11 5/8	-1/8
31	24 1/2	ACE Ltd x	0.40	1.4	4	288	28 3/8	28	28 1/4	+1/4
12 1/2	10 1/8	ACM Gvt In x	1.09	10.0		148	11 1/8	11	11	-1/8
10 1/8	7 7/8	ACM GvOpp x	0.80	9.5		41	8 3/8	8 1/8	8 3/8	
10 7/8	8 3/8	ACM Gvt Sp x	0.96	11.1		212	8 3/4	8 5/8	8 5/8	-1/8
12	9 3/4	ACM Gvt Se x	1.09	10.6		270	10 3/8	10 1/4	10 3/8	
11 3/4	8 3/4	ACM Man x	1.08	11.1		77	9 3/4	9 5/8	9 3/4	+1/2
9 1/4	8	ACM Managd x	0.72	8.7		88	8 3/8	8 1/4	8 1/4	
10 5/8	8 3/4	AcmeClv	0.44	4.1	13	1127	u10 3/4	9 7/8	10 3/4	+1 1/8
8 1/2	7 1/8	Acme Elect			35	205	8 3/8	7 3/4	8 1/4	+3/8
28 1/4	23	Acordis	0.60	[illegible]	13	13	27 1/8	27	27	
9 1/4	5 3/4	Actava	0.38	[illegible]	2	100	6 1/2	6 1/4	6 3/8	+1/8
13 7/8	11 1/4	Acuson			98	334	12 7/8	12 5/8	12 3/4	+1/8
18 7/8	16 1/2	Adams Expr	0.38	2.1	0	105	17 1/8	17	17 1/8	
64	46 1/2	Ad Micro	3.00	5.3		639	57 1/4	56	56 1/2	-3/8
31 3/4	16 3/4	AdvMic	3.00	10.7	12	10885	28 3/8	27 3/4	28	-3/8
8 7/8	5 5/8	Advest Grp	0.16	2.7	9	102	6	6	6	
20	16 3/4	Advo Inc x	0.10	0.6	120	10	18 1/8	17 7/8	18	+1/8
57 1/4	49 3/8	Aegon ADR	1.23	2.4	11	136	51 7/8	50 3/4	51 3/8	

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4 pm close April 8

NYSE COMPOSITE PRICES

Continued from previous page

1994 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close	Chng Prev. Close
18½	13⅝	Sbyd3	0.36	2.5	8	532	14⅝	14⅛	14½	-⅛
27	19¼	Safeway			26	1071	26¼	25¾	26¼	+⅝
6⅞	4⅞	Safeway/Wts				25	6⅛	6⅛	6⅛	+⅛
57⅞	50¼	StJoePaper	0.20	0.4	287	102	54⅝	53⅞	54⅝	+1¼
30¼	28	StJoeLAP	1.80	6.1	15	13	29⅞	29¾	29¾	-⅜
90	78⅝	StPaul x	3.00	3.8	7	613	78½	78¼	78½	-⅛
9⅞	6¾	Salant Crp			8	28	7¾	7⅛	7¾	
49⅞	42⅞	Sallie Mae	1.40	3.3	8	2114	43½	42⅞	43	-⅜
13⅞	11⅞	Salomon Br	0.34	2.7		739	12⅝	12¼	12⅝	-⅛
62¾	44¾	Salomon	-0.64	1.2	7	5187	52¼	50¾	51¾	+⅜
25	21½	SDgGE	1.52	6.9	11	871	22¼	22	22⅛	-⅛
10	7½	SantaFeEls	0.16	2.1	8	3185	8⅛	7⅛	7¾	-½
40	34⅝	SantaFePac	2.80	7.8	16	84	36⅞	35⅞	35⅞	-¼
26¼	21¾	SanFeP	0.10	0.4	13	3033	24	23⅝	23⅞	+⅛
28	20⅞	SaraLee	0.84	3.0	14	[illegible]	21⅞	21⅛	21½	-⅛
50⅛	44¾	Scana Corp	2.82	6.3	12	[illegible]	44⅞	d44⅝	44⅞	-⅛
20½	16	Scecrp x	1.42	8.7	11	[illegible]	16¼	16⅛	16¼	
40½	35½	ScherarRP			26	1413	35⅝	d34¾	34¾	-⅞
69¾	54½	SchrPl	1.80	3.2	13	2376	57⅛	56¼	56½	-¾
61½	50¾	Schlmb	1.20	2.3	22	3378	53¼	52⅝	53⅛	+⅛
33	25¼	Schwab(C)	0.28	1.0	13	989	28⅝	28	28⅛	-⅞
10¾	6⅛	Schwitzer			39	795	10⅞	10	10	-¼
36⅞	25¼	SciAtl	0.12	0.4	54	839	27⅞	27⅛	27⅛	-⅞
16⅞	13⅞	Scotsman x	0.10	0.7	13	25	14⅛	14	14	-⅛
48¾	40¼	ScottP	0.80	2.0	10	3352	40⅝	d39⅞	[illegible]	-⅛
28⅞	16⅝	ScudderNAsF	0.21	1.0		167	21⅞	20⅞	21⅛	-¼
12⅞	9¾	ScudderNEuF	0.16	1.5		155	10¾	10½	10½	-⅛
18¼	16½	SeaCnB	0.70	4.1	8	8	17¼	17⅛	17⅛	+⅛
[illegible]										

1994 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High
16¾	16⅛	TNP Enterp	1.63	10.0	16	66	16⅜
77⅞	65¾	TRW	1.88	2.7	20	918	71
11¼	7⅛	T2 Medcl	0.10	1.0	8	3457	10¾
39⅛	22⅝	Talman Fn				378	26¾
7⅛	5⅞	Talleyind	[illegible]	6.3	7	218	7⅛
12⅜	10	Talley Pf	[illegible]	8.4		5	12
44½	36⅞	Tambrds	[illegible]	4.4	[illegible]	1465	38¾
16⅝	10⅞	Tandem			[illegible]	2182	15⅛
49⅞	30¾	Tandy x	[illegible]	1.8	[illegible]	10157	34⅞
12¾	10⅛	Taurus Mun	[illegible]	5.7		141	u12¾
22⅝	18¼	Teco Energ	[illegible]	4.9	15	274	19¾
35⅝	23⅝	Tektrnx	[illegible]	1.9	20	2837	31⅞
3¾	2¼	Telecom			18	93	3⅜
26⅝	16⅝	Teldyn	[illegible]	4.7	12	783	17
46⅛	34⅝	TeleEspSA	[illegible]	2.7	7	3218	38⅞
75	58⅞	Telmex	[illegible]	2.6	12	27239	59¼
54⅜	44½	Tmplnl	[illegible]	2.1	39	1273	48
30⅝	19½	TempltEmMk	[illegible]	0.7		461	23⅞
8⅛	7	TempltGlob x	[illegible]	8.4		56	7¼
8	6⅞	TempltGlInc	[illegible]	8.4		580	7⅛
[illegible]	51⅛	Tenneco	[illegible]	3.0	20	4361	54⅛
30	25⅝	Tenneco Pfs	[illegible]	8.2	10	84	27⅞
31⅛	23⅝	Teradyne			26	478	26¾
9⅞	6⅛	Terex	0.05	0.6	1	89	7⅞
8¾	6¾	Terra Inds	0.08	1.1	21	422	7¼
12⅞	5¾	Tesoro			19	387	10¾
68⅛	61	Texaco	3.20	5.0	74	3833	64¼
51⅞	50	Texaco C	3.00	5.9		118	50¾
39¾	29⅝	Texas Ind	0.20	0.5	49	273	u39¾
89½	61	Txlnst x	0.72	0.9	15	4221	83
[illegible]							

[illegible]

- T -

[illegible]

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

[illegible]

AMEX COMPOSITE PRICES

4 pm close April 8

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
Calprop		7	[illegible]				
Cambrex	0.20	13	5	22⅛	22⅛	22⅛	-⅛
Can Marc	0.28	21	2100	11¾	11¾	11¾	
Cmbrx A	0.01	7	1555	3⅞	3½	3½	-⅛
Chambers		7	123	3⅞	d3½	3⅞	
Champion		40	166	27⅞	27	27⅛	-⅜
Chiles		243	1991	5	4⅞	4⅞	-⅛
CircPh	0.04	28	860	11¼	10⅞	10⅞	-⅜
Cntrl FdA	0.01		263	5¾	5⅝	5⅝	

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
Giant FdA	0.70	15	[illegible]	24¾	23⅝	[illegible]	-⅜
GlatfIrx	0.70	36	[illegible]	18⅝	18⅛	[illegible]	+¼
Goldfield			4	[illegible]	0⅝	0⅝	
Greenman			37	[illegible]	6⅞	6⅞	-⅛
Gulf Cda	0.34	10	[illegible]	3	2⅞	[illegible]	+⅛
HanOr	[illegible]			7	6⅞	7	
Hasbro	[illegible]		36	35⅝	35¾	+¼	

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
NthCanOil	[illegible]		2109	8⅞	[illegible]	8⅞	
NumacE		167	40	5⅜	[illegible]	5⅜	
NVR		12	10	8⅞	[illegible]	8⅞	
Odetics A	[illegible]		135	u9¾	d9¼	9⅞	
Oilgear	0.24	[illegible]	1188	34⅛	[illegible]	34⅞	-⅛
Pegasus G	0.40	[illegible]	2537	18⅝	[illegible]	18⅝	+⅛
Perini	0.80	[illegible]	13	13⅝	13⅝	13⅝	

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
ViacomA		21	435	28⅜	d27⅞	27⅞	-⅛
ViacomB			1874	24	d23⅞	24	
Weatherfd		21	131	8⅞	8⅝	8⅞	
Westamer	0.80	23	40	27½	27⅞	27⅞	-⅜
WRET	1.12	18	743	13⅛	13	13⅛	+⅛
Worthen	0.60	10	79	21⅞	21½	21⅞	+⅛
Xytronix		5	245	6⅞	d4⅞	5	-¾

NASDAQ NATIONAL MARKET

4 pm close April 8

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

- B - [illegible]

- C - [illegible]

- D - [illegible]

- E - [illegible]

- F - [illegible]

- G - [illegible]

- H - [illegible]

- I - [illegible]

- J - [illegible]

- K - [illegible]

- L - [illegible]

- M - [illegible]

- N - [illegible]

- O - [illegible]

- P - Q - [illegible]

- R - [illegible]

- S - [illegible]

- T - [illegible]

- U - [illegible]

- V - [illegible]

- W - [illegible]

- X - Y - Z - [illegible]

FT GUIDE TO THE WEEK

11 MONDAY

Yeltsin visits Spain

Russian [illegible] Boris Yeltsin arrives in Spain for an official three-day visit during which he will try to drum up investment [illegible] reassure the [illegible] of Russia's continuing friendship despite its more assertive foreign policy. The visit comes at [illegible] time of continuing political instability in Russia and speculation about the president's health.

Air France ballot result
The outcome of a staff ballot on the rescue plan for Air France should be known by this evening. Trade union officials expect [illegible] majority of the 40,000 workforce to support the package of job cuts and a wage freeze to secure FFr20bn ($3.5bn) of state [illegible] the loss-making state-owned airline.

Chairman Christian Blanc [illegible] he will quit if staff do not give him [illegible] clear majority. Prime minister Edouard Balladur has made [illegible] approval [illegible] the plan a condition [illegible] receiving government subsidy.

Council of Europe assembly
The Council of Europe parliamentary assembly meets until April [illegible] in [illegible]bourg, France. During the session there will be a [illegible] for the post of secretary-general.

The Council [illegible] Europe has [illegible] main forum for welcoming [illegible] democracies into Europe's institutional structures. [illegible] join [illegible] Council [illegible] will send [illegible] parliamentary guest delegation. [illegible]ist Vladimir Zhirinovsky, [illegible] views worry [illegible] west, will [illegible] part of the delegation.

IADB meeting: The [illegible] Development Bank holds [illegible] meeting in Guadalajara, [illegible] from April 11 [illegible] The talks will centre [illegible] a proposed [illegible] capital [illegible] bank.

Iliescu trip [illegible] France: [illegible] President Ion Iliescu begins [illegible] three-day visit to France (until April 14), [illegible] official visit [illegible] country [illegible] taking [illegible] in [illegible] He will [illegible] President François Mitterrand [illegible] Prime Minister Edouard Balladur. [illegible] has been more sympathetic to Romania [illegible] EU states, who are worried by the continuing dominance of former communists, including [illegible] himself.

[illegible] returns: After [illegible] two-week [illegible] the [illegible] Senate [illegible] today, [illegible] House tomorrow.

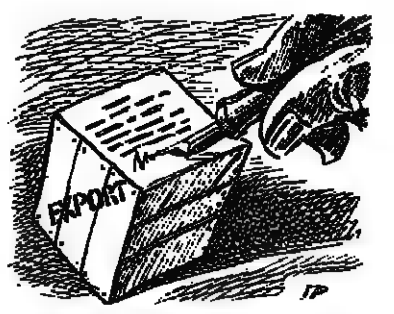
Funding Agency for Schools
The UK launches [illegible] government agency which [illegible] further erode [illegible] system of local authority-run mixed ability education. The [illegible] will help administrate, set up and fund grant-maintained but independently run [illegible] which [illegible] wholly or partially [illegible] in which pupils they [illegible]

Holidays: Hong Kong [illegible] the Queen's birthday; [illegible] on holiday for Gudi [illegible]

FT Survey: [illegible] Finance.

12 TUESDAY

Uruguay Round talks



World trade ministers will meet in Marrakesh, Morocco, until April 15. On Friday they are due to sign the long-delayed final [illegible] of the [illegible] Agreement on Tariffs and [illegible] (Gatt) Uruguay Round, which was agreed last [illegible] The signing will [illegible] days before the expiry of US President Clinton's "fast-track" negotiating authority [illegible] by the [illegible] Congress in April [illegible]

The US [illegible] that [illegible] Organisation, [illegible] new permanent body [illegible] replace Gatt, should be formally committed [illegible] links between trade [illegible] This [illegible] a protectionist ploy by developing countries. A compromise now [illegible] reached.

[illegible] parliament returns: [illegible] on the local [illegible] month [illegible] European parliament [illegible] amid continuing speculation [illegible] the position [illegible] prime minister. Key pieces of legislation [illegible] parliament [illegible] the criminal justice bill and [illegible] deregulation bill.

Texas Democratic primary
A run-off primary [illegible] for the Sen[illegible] will [illegible] held in [illegible] to determine [illegible] Republican [illegible] Kay Bailey Hutchinson in November. Competing for [illegible] nomination are former [illegible] Jim [illegible] businessman Richard Fisher.

Japanese economic figures: This [illegible] a slew of economic figures will be closely [illegible] for [illegible] signs [illegible] economic upturn [illegible] to stay.

Many analysts predict [illegible] Japan's recession, [illegible] of the [illegible] the war, [illegible] coming [illegible] end. Consumer activity [illegible] shown signs [illegible] responding to the government's four economic stimulus packages while figures for industrial output [illegible] on Friday) are forecast by [illegible] of Japan [illegible] risen in the first quarter.

Bolstering confidence in the possibility of [illegible] is a strong [illegible] in housing starts which has been evident since the autumn. From that, [illegible] consumer [illegible] expecting a pick-up in demand this spring as consumer goods generally [illegible] housing starts by [illegible] months.

FT Survey: Slovenia.

13 WEDNESDAY

Macedonia deadline

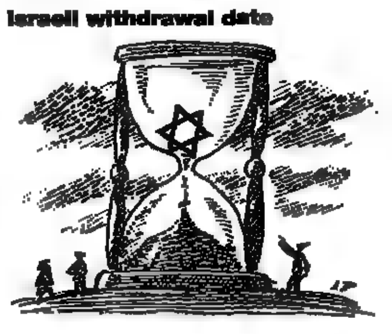
This is the EU deadline for Greece to lift its two-month embargo of Macedonia or [illegible] legal action in the Euro[illegible] of Justice. Today [illegible]nian officials hold talks in New York with Cyrus Vance, UN mediator in [illegible] dispute over the former Yugoslav republic's name, flag and constitution. Greece will meet Vance tomorrow but is unlikely [illegible] lift the embargo before today's deadline.

Chinese trade mission: [illegible] minister Wu Yi leads a 200-strong [illegible]gation, the largest sent to the US, to negotiate 800 contracts. President Clinton [illegible] a renewal of China's "most favoured nation" trade [illegible] dependent [illegible] human rights improve[illegible] this [illegible]

Party funding report: The House of Commons home affairs committee publishes [illegible] report into funding of political parties. The inquiry began last year [illegible] the [illegible] disgraced entrepreneur [illegible] Nadir's donations to the Conservative party.

Labour and Liberal [illegible] MPs will want either state funding or strict controls on [illegible] and election spending because [illegible] scale [illegible] business [illegible] the Conservatives, many [illegible]

Israeli withdrawal date



[illegible] complete its military [illegible] from the occupied Gaza Strip and [illegible] Bank [illegible] of Jericho in preparation for Palestinian self-rule under last September's peace deal.

However, [illegible] troop pull-out is dependent on [illegible] and [illegible] Organisation completing [illegible] comprehensive agreement in Cairo on security and economic issues.

Israel has virtually completed its withdrawal but the [illegible] have [illegible] bogged down in wrangling over the role [illegible] of [illegible] Palestinian police force and [illegible] extent of Israeli legal jurisdiction.

In Strasbourg, PLO chairman Yasser Arafat will address the Council of Europe's assembly and will [illegible]edly comment on [illegible] delays.

US retail sales: A [illegible] in today's [illegible] retail [illegible] March may [illegible] fears [illegible] will tighten monetary policy. [illegible] today [illegible] consumer prices index [illegible] which is [illegible]ted to [illegible] moved a [illegible] higher.

14 THURSDAY

Bundesbank meeting

Having been caught repeatedly on the hop by most of the Bundesbank's interest rate shifts [illegible] the past 12 months, [illegible] economists are prepared to call the odds [illegible] a discount rate cut at today's meeting of the German central bank's council. Some tea leaf watchers suggest a move this week to head off friction at the [illegible] meeting booked for Washington on April 23 and 24, but they are in a minority.

Although most indicators point firmly towards further reductions, the Bundesbankers can easily blame any delay on the uncertainty caused by the recent explosion in M3 money supply growth. Even though the bank claims it has identified the "special factors" responsible, and suggests there is little need for concern, experience shows that it likes to be sure that it is receiving all signals clearly before going into action.

UDF conference: Bulgaria's opposition Union [illegible] Democratic Forces holds [illegible] national conference (to April 15). [illegible] UDF won the October 1991 [illegible] but collapsed after little [illegible] than a year in a welter of internal wrangles and scandals, leading to the return of a government backed by the Bulgarian Socialist party, the former communists, and breakaway elements from the UDF.

The UDF hopes that Bulgaria's [illegible] problems will [illegible] election, which [illegible] due in [illegible] but likely [illegible]

Pasok congress: [illegible] ruling Panhellenic [illegible] party congress for the first time in more [illegible] three [illegible] (until April 17). Although the leadership [illegible] on [illegible] agenda, potential successors [illegible] ailing [illegible] Papandreou will [illegible] jostling [illegible] position in [illegible] corridors. The leading contender, interior minister Akis Tsochatzopoulos, expects [illegible] boost his [illegible] by winning [illegible] general secretary.

Pawlak [illegible] Germany: Waldemar Pawlak, [illegible] prime minister, begins [illegible] two-day official visit to Germany. Although [illegible] between Bonn and Warsaw are very good, the Polish government remains disappointed [illegible] the low [illegible] of investment by German companies in Poland.

Pawlak, who [illegible] coalition of [illegible] Democratic Left Alliance [illegible] Peasants party, will seek to assure his hosts that there [illegible] no turning back from [illegible] reforms.

UK visible trade figures: Analysts will [illegible] today's whole world [illegible] figures for January for [illegible] that [illegible]ery in the UK is putting pressure on the [illegible] The last set of complete trade figures were disappointingly [illegible] with higher imports in particular suggesting [illegible] the [illegible] is deteriorating.

FT Surveys: Turkey; Austria.

15 FRIDAY

Italy's parliament meets

Italy's [illegible] members [illegible] parliament [illegible] today. The [illegible] of government [illegible] begin until Italian President [illegible] Luigi Scalfaro has [illegible] prime minister, which [illegible] cannot do until parliament has reconvened. [illegible] magnate Silvio Berlusconi [illegible] increasingly likely [illegible] to [illegible] a right-wing [illegible]

CIS summit: The former [illegible] republics [illegible] in [illegible] to try [illegible] make [illegible] union and military co-operation.

The European [illegible] Reconstruction and Development begins [illegible] four-day [illegible] meeting in [illegible] Petersburg.

Brazil debt deadline: Brazil [illegible] private bank creditors [illegible] expected to complete a [illegible] rescheduling in [illegible] York, reducing the [illegible] Brazil, the developing [illegible] debtor.

UK retail prices index: The March figure may [illegible] been boosted by the delayed end to January discount sales, but the dropping out of increases in petrol and food prices last year may cut the underlying rate.

16-17 WEEKEND

EU and [illegible] in Riyadh

Ministers and [illegible] from the European Union and [illegible] Gulf Co-operation Council (GCC) grouping of Gulf [illegible] in Riyadh on Sunday. They will [illegible] certainly [illegible] long-standing Gulf concern of petrochemical [illegible] Euro[illegible] market.

Pacific [illegible] Prix: The Formula [illegible] World Championship motor racing Grand Prix will be held in Aida, Japan, on Sunday.

London Marathon: On Sunday [illegible] Marathon will begin [illegible] Greenwich and finish in front of Buckingham Palace. [illegible] has [illegible] world-record entry of [illegible]

Fifth Test match: England play [illegible] Indies in the fifth and final [illegible] Test match at [illegible] John's, Antigua, from Saturday [illegible] April 21.

Embassy World Championships: The World Snooker Championships will be held at the Crucible Theatre, Sheffield, from Saturday to May 2.

Edited by Robert Anderson. [illegible] (+44) [illegible] 3194.

ECONOMIC DIARY

Other economic news

Monday: UK consumer credit figures for February will be analysed for further signs [illegible] UK consumers have been cutting back on their spending ahead of this month's tax increases. The average forecast is for net credit of £250m, against £235m in January.

Tuesday: Monthly producer price figures for the US are expected to show rises [illegible] 0.2 per cent in both the headline and the core rate, indicating that there [illegible] still little sign [illegible] an inflationary upturn, despite the strong economic growth.

Meanwhile, figures for French inflation in March are expected to show that prices are under control, with a [illegible] per cent month-on-month increase allowing the annual [illegible] drop to 1.6 per cent. For much of 1993, French inflation was hovering around the 2 per cent mark.

Friday: The strength of the US economy should be shown by industrial production figures for March, showing a monthly rise of 0.7 per cent and by capacity utilisation figures, which are forecast to have edged up to 83.8 per cent, from 83.4 [illegible] cent in February. Very strong numbers will awaken fears that the Fed will move [illegible] tighten [illegible] again.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	UK	[illegible] consumer credit	£250m	£235m
April 11	[illegible]	Feb motor vehicle sales*	2.6%	-1%
Tue	US	[illegible] producer prices index	+0.2%	0.5%
[illegible]	[illegible]	[illegible] excluding [illegible]	[illegible]	0.1%
	Japan	Feb mach'ry orders ex ships etc*	[illegible]	1.9%
	Japan	Feb mach'ry orders ex [illegible]	-1%	0.4%
	France	[illegible] consumer [illegible] index prelim**	[illegible]	1.8%
	Canada	Mar housing starts	166,000	153,000
Wed	US	[illegible] retail [illegible]	+1%	1.5%
[illegible]	US	[illegible]	+0.9%	1%
	US	[illegible]	+0.3%	0.3%
	US	[illegible] food [illegible]	+0.3%	0.3%
	France	[illegible]	FFr6bn	FFr15.7bn
Thur	US	[illegible]	-	0.0%
April 14	US	M1, [illegible] April 4	+$2.2bn	$3.2bn
	US	Ditto, M2	+$2.5bn	$0.1bn
	US	Ditto, M3	+$6.5bn	-$4.3bn
	US	[illegible] M1, monthly	+$5bn	$5.1bn
	US	[illegible]	+$17bn	-$3.2bn
	US	Ditto, M3	+$10bn	-$27.8bn
	US	[illegible]	334,000	337,000
	Japan	[illegible] price [illegible]	-0.1%	[illegible]
	Japan	[illegible] price [illegible]	-2.8%	-3.2%
	UK	[illegible] trade – global	-£1.31bn	-£1.57bn
	Spain	Mar consumer [illegible] index**	4.8%	[illegible]
Fri	[illegible]	[illegible] production	+0.7%	[illegible]
April 15	[illegible]	Mar capacity utilisation	83.8%	[illegible]
	Japan	[illegible] industrial production [illegible]	-	1%
	Japan	Feb shipments [illegible]	-	0.7%
	[illegible]	Mar retail price index*	0.4%	[illegible]
	UK	Mar [illegible] price [illegible]	2.4%	2.4%
	UK	[illegible] ex mortgage int payments**	[illegible]	[illegible]
	[illegible]	[illegible] prices index*	0.2%	[illegible]
	Canada	Mar consumer prices [illegible]	[illegible]	[illegible]
	Canada	[illegible] food [illegible] energy**	0.4	0.4%
During this [illegible]				
	Japan	[illegible]	[illegible]	$10.9bn
	Japan	[illegible] money supply, M2/deposits**	-	1.6%
	Japan	[illegible] liquidity**	-	3%
	Germany	[illegible] cost [illegible] living**	-	3.4%
	Germany	Feb [illegible] real**	0.5%	[illegible]
	Germany	[illegible] price [illegible]	0.2%	0.5%
	France	[illegible] M3*	-	[illegible]
	N'lands	[illegible] consumer [illegible]	[illegible]	[illegible]
	N'lands	[illegible]	-	1%
	Spain	[illegible] unemployment rate	[illegible]	16.01%
	Spain	[illegible] M4 – [illegible]	-2.7%	-6.3%
	[illegible]	[illegible] unemployment seas/adj	12.3%	12.5%

[illegible] **year on year *Statistics, courtesy MMS [illegible]*

MONDAY PRIZE CROSSWORD

No.8,425 [illegible] by CINEPHILE

[illegible] prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened [illegible] five runner-up prizes of [illegible] Pelikan vouchers will be [illegible] Solutions by Thursday April 21, marked Monday [illegible] on [illegible] envelope, to [illegible] Financial Times, 1 [illegible]wark Bridge, [illegible] SE1 9HL. Solution [illegible] Monday April [illegible]

Name...

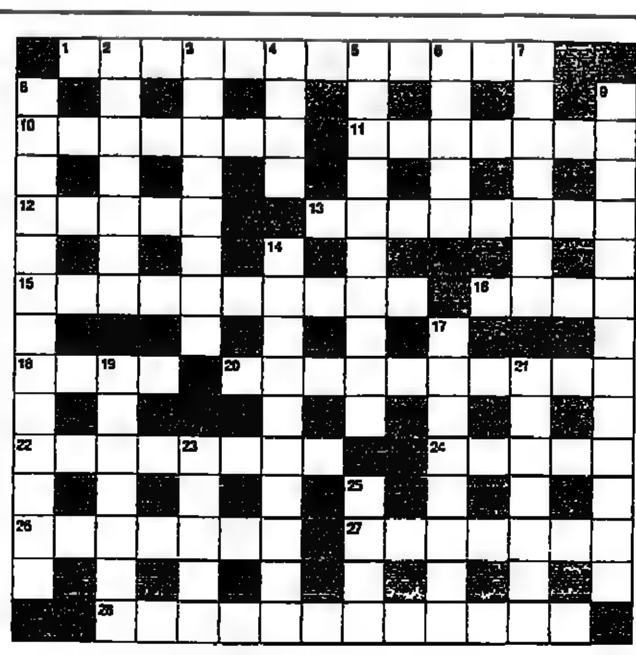
Address..

[illegible]

1 Progress [illegible] Giant's Causeway? (5,7)
[illegible] The King and I find plenty happening with high explosive (7)
11 A very large number are sick in heaven (7)
[illegible] Dance requiring another [illegible] for alcoholic confection (5)
13 Agent for change along the river? [illegible]
15 Loveless [illegible] around – [illegible] hard to grasp? [illegible]
16 Go away, do you [illegible] Smith will [illegible] it (4)
[illegible] Open wide with [illegible] copy (4)
20 Offer [illegible] measure [illegible] (10)
22 [illegible] letters – [illegible] – in [illegible]
[illegible] with branch [illegible] (5)
26 Undesirable motorist [illegible] hood with rag (4,3)
27 Haar misplaced [illegible] country mansion? (3,4)
28 [illegible] reads directions intact: it's given by not objecting (5,7)

DOWN

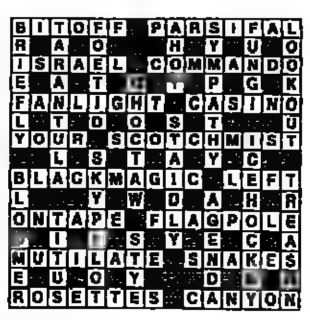
2 Herring, a revolutionary [illegible] (7)
3 [illegible] cut by colleague in reality (8)
4 Dispatch [illegible] coastal [illegible] shortly (4)
5 Shaver made from barrel a [illegible] short (5,5)
6 Bob [illegible] Thomas from Shady Lane (5)
7 [illegible] bit [illegible] contains article for [illegible] (7)
8 Not meeting directors around [illegible] (8,5)
9 There were [illegible] than this giving a turn, it [illegible] (13)
14 Compartments [illegible] be supplying an unlikely [illegible] drunk on (10)
17 [illegible] in Hair, which [illegible] an intrusion (8)
19 New [illegible] that can't be [illegible] (7)
21 [illegible] turned into what [illegible] standing at a conference? (7)
23 [illegible] this is [illegible] morality (5)
25 Capital, very large, much smaller [illegible] London (4)



Winners [illegible]

N.P. James, [illegible] Sussex
Mrs [illegible] Booker, Fowey, Cornwall
[illegible] Hadden, Portadown, Co Armagh
Richard King, Badgers Mount, Twickenham
S. Lansley, Maiden[illegible]
[illegible] M. Pritchard, Henley on Thames, Oxon.

Solution 8,415



صكرامن الاهل

FINANCIAL TIMES SURVEY

LATIN AMERICAN FINANCE

Monday April 11 1994

Despite a series of shock events in Latin America this year, the flow of capital should continue, albeit at a slower rate. Stephen Fidler discusses prospects for the future and suggests that external investors may become more selective

The picture darkens

Investors in Latin American financial assets have been rocked this year by a series of events that have provided a timely reminder of the risks of investment in the area's emerging markets. They have been left questioning their previous expectations about future economic growth and political stability. Yet, although the shocks may result in more selectivity by investors, there are reasons to expect a continued net flow of private capital into the region.

As Latin America's main importer of capital, Mexico sets [illegible] the region's financial markets. The implementation on January 1 of the North American Free Trade Agreement (Nafta) between the US, Canada and Mexico was expected to provide a base for inward investment flows to Mexico and to help avoid the usual financial uncertainty that plagued the country in each of the three previous presidential election years.

It was not to be. The new year was also greeted by a peasant rebellion in the state of Chiapas which shocked the administration of President Carlos Salinas. Then the March 23 assassination of Luis Donaldo Colosio, the ruling party's presidential candidate, further shook the government. To some foreign investors, the two events underlined previously-underestimated political risks associated with Mr Salinas's economic [illegible].

Outside Mexico, [illegible] perceptions [illegible] investor risk. In Argentina, [illegible] provincial government employees in Santiago del Estero was interpreted by some as a parallel to Chiapas [illegible] that it [illegible] signs [illegible] President Carlos Menem's market-oriented reform programme. (The government argued that the cause [illegible] an unreformed provincial administration.)

From Venezuela, where the administration of President Rafael Caldera was elected on a platform opposing market reform efforts, the collapse of the second largest bank, Banco Latino, increased concerns. Later, the government suffered a downgrading of its debt, the first for a country that had previously issued Brady bonds in a debt restructuring.

In Brazil, the one Latin country where inflation has not fallen, investors worried about elections later this year given the leadership in opinion polls of Luiz Inacio Lula da Silva, presidential candidate from the left-wing Workers' Party.

Yet the event that engendered the largest market correction occurred outside the region: an initial one quarter point interest rate increase by the US Federal Reserve in February. The direction of the change was no surprise, but it [illegible] earlier than [illegible] investors expected. US [illegible] rates influence Latin America's financial markets in many ways. Low [illegible] in the US have driven US-based investors – many of them Latin Americans – [illegible] seek higher returns from regional markets [illegible] tight monetary policy and high interest rates have [illegible] sway. Low US interest [illegible] encouraged US retail investors to shift resources into [illegible] funds, [illegible] significant portion of which have [illegible] seeking high [illegible] markets including [illegible] in Latin America.

But a third factor [illegible] to explain [illegible] magnitude of the correction in Latin markets. [illegible] to [illegible] buyers of Latin American [illegible] were highly leveraged – borrowing [illegible] to buy [illegible] in particular.

[illegible] Cathy O'Donnell, [illegible] vice-president [illegible] of the largest emerging market [illegible] traders, Chase Manhattan, [illegible] a [illegible] leveraged and the [illegible] down, [illegible] investors' [illegible] magnified. If you are [illegible] downward spiral, it [illegible] leverage."

It was [illegible] clear [illegible] in emerging [illegible] debt [illegible] on [illegible] whole heavy with inventory following [illegible] price [illegible] of [illegible] year [illegible] positive perspective [illegible] by [illegible]. They, too, were forced [illegible] lighten their [illegible] and [illegible] a falling market.

Mr Neil Allen, head of emerging [illegible] Trust in [illegible] York, viewed [illegible] rally [illegible] Latin America [illegible] ended in February as both a trend and [illegible] fad. For those attempting [illegible] develop long-term business in [illegible] region, "the fad [illegible] not always your friend", [illegible] said.

[illegible] all of Latin America's [illegible] investors [illegible] interest-[illegible] or driven [illegible]. The [illegible] markets [illegible] Latin America, Asia and eastern [illegible] are now [illegible] institutional investors [illegible] as [illegible] funds as an important [illegible].

Sharp corrections in stock and bond markets in developed countries, such as [illegible] experienced in recent weeks, will inevitably slow flows to [illegible] markets, but many observers expect that over the medium term the investment will continue.

"[illegible] are seeing the beginnings of a large portfolio shift that can last 10 to 15 years," said Mr Anthony Bottrill, deputy managing director of the [illegible] in Washington, a [illegible] tank owned by international [illegible].

Mr John Purcell, head of emerging [illegible] at Salomon Brothers, said: "I [illegible] pension funds and mutual [illegible] are [illegible] to [illegible] back [illegible] the market." Mutual funds – accounting for about 5 per cent of the financial assets held by individuals in the US – have been growing rapidly but "are nowhere near as large as they are eventually going to get". This suggests a [illegible] flow [illegible] funds to emerging markets.

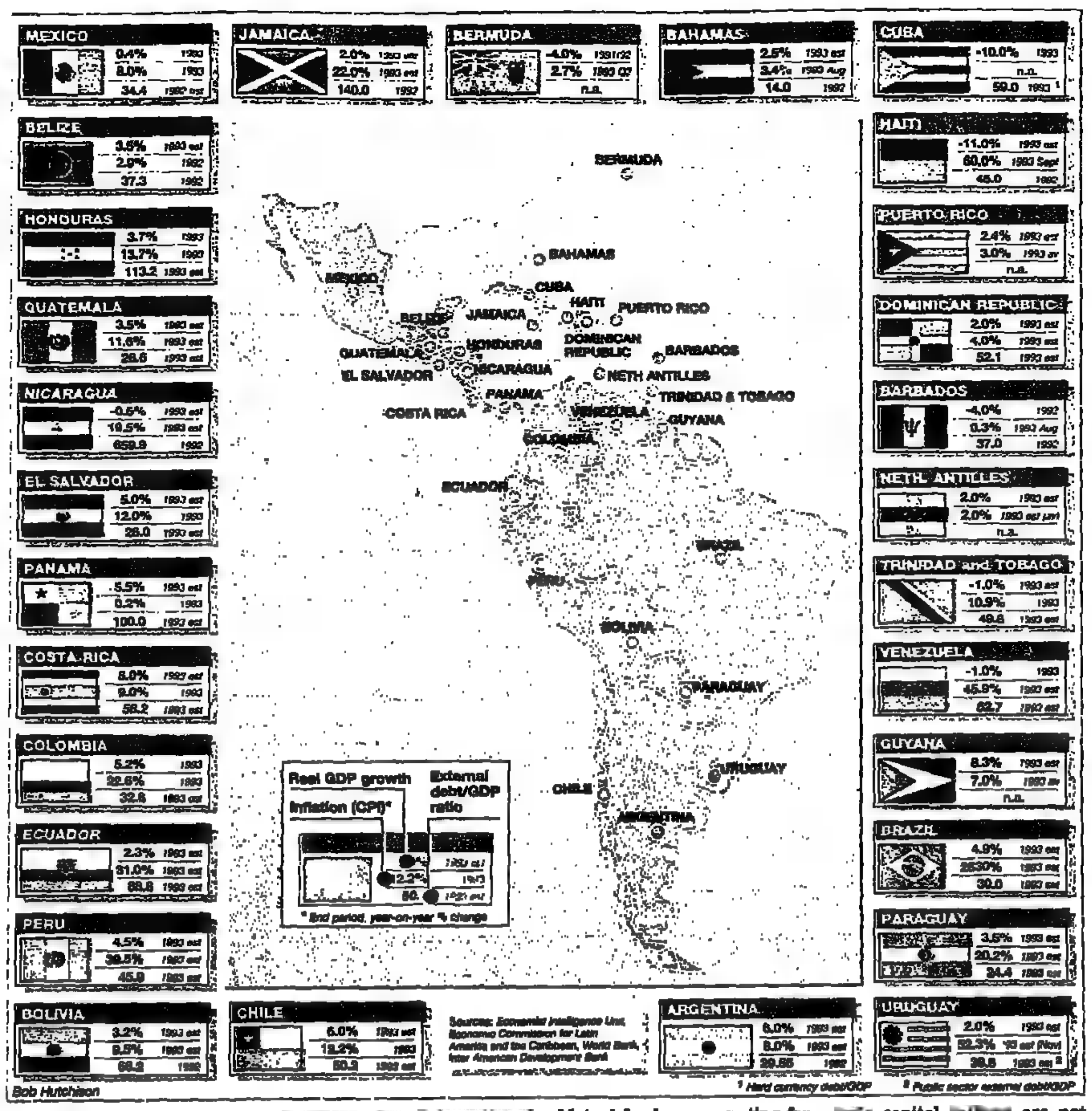
Furthermore, [illegible]'s capital [illegible] are not [illegible] dependent on portfolio [illegible]. Foreign [illegible] has [illegible] by economic [illegible] and, although [illegible] of this has been on the back of [illegible]-for-all privatisation programmes, can [illegible] expected [illegible] continue – so [illegible] as [illegible] growth remains positive.

International banks, having [illegible] by [illegible] debt crisis, [illegible] returning [illegible] region, too. [illegible] banks have changed substantially since the early [illegible] and [illegible] likely again [illegible] provide large-scale medium-term finance for [illegible] region. Now [illegible] prefer [illegible] be in [illegible] not [illegible] lenders, [illegible] and underwriters. [illegible] signs [illegible] some lending [illegible] place, as suggested by a $1.1bn financing arranged this year for Mexico's Petroleos Mexicanos by JP Morgan – said to be the first voluntary bank loan for a Mexican sovereign entity since the 1982 debt crisis.

If a slowing – rather than an outright halt – of capital inflows to Latin America is what is in prospect, it may be no bad thing. The volume of the flows in recent years has worried some observers and has caused problems in monetary management in many countries. In the medium term, the sustainability of inflows will depend heavily on economic performance. Since [illegible]formance will diverge [illegible] country to country, so it [illegible] that capital flows will become more selective.

[illegible] and [illegible] efforts, many [illegible] remain [illegible]

Continued on [illegible] 8



Bob Hutchison

Editorial production: Roy Terry
Statistics: Asifa Juma

COUNTRY FOCUS

Fight to control inflation

Like other Latin American countries that [redacted] through [redacted] intense liberalisation [redacted], Colombia is inclining towards greater [redacted] spending [redacted] a [redacted] mitigating the [redacted] of [redacted] ing up the [redacted]. President Cesar Gaviria's government [redacted] also [redacted] in [redacted] direction [redacted] leading candi[redacted] for the [redacted] presidential elections are speaking [redacted] the [redacted] learned from [redacted] in [redacted] and Chiapas.

The immediate concern is not [redacted] much [redacted] the money will come from but how to keep inflation under control and [redacted] revaluing the [redacted]. Over the past [redacted] the government has brought the annual inflation [redacted] down from 33 per cent to 23 per cent and [redacted] 1994 [redacted] is 19 per [redacted].

However, independent [redacted] mists [redacted] the [redacted] unlikely to drop [redacted] cent, particularly as inflation for the first two months of [redacted] reached [redacted] per cent. At the same time devaluation [redacted] only 10-11 per cent a [redacted] exporters are losing ground.

Mr Rudolf Hommes, minister [redacted] finance all through [redacted] government, [redacted] administration will hand [redacted] fiscal surplus of [redacted] GDP, the result of improved tax collection and extra income from the [redacted] of state-controlled financial institutions and cellular telephone [redacted] sions. The aim is [redacted] limit this year's growth in international [redacted] to US$450mn and use some [redacted] the surplus to [redacted] foreign debt. [redacted] export growth and a further, though smaller, [redacted] in imports [redacted] expected for 1994.

In the [redacted] of foreign investors, [redacted] stability [redacted] Colombia's economy is [redacted] setting [redacted] guerrilla [redacted] and violence; foreign investment (excluding oil) rose by about 85 per cent last year. While [redacted] privatisation programme is [redacted] as [redacted] as some and [redacted] stock market remains very small, more banks [redacted] to [redacted] auctioned off and a range [redacted] opportunities is opening up in the transport and energy [redacted]. The signing of the first bilateral investment treaty with the UK in March ensures equal treatment for foreign and local capital and is an important step [redacted] cementing confidence [redacted] investors; agreements with other countries are [redacted] ted [redacted] follow.

Although BP's Cusiana and Cupiagua oil discoveries transformed Colombia's earnings outlook for the late 1990s, foreign companies have been

COLOMBIA

unhappy with the terms of [redacted] petroleum company's association contracts for some time. Ecopetrol will be putting some 28 blocks up for exploration in mid-April and the new [redacted] expected [redacted] taking into account the profitability [redacted] different fields. The majority of [redacted] new [redacted] – many of which [redacted] previously reserved for Ecopetrol – [redacted] in the [redacted] plains or llanos.

With economic growth rates consistently higher than population increase, Colombia's income per capita has been rising steadily. Last year's economic growth was 5.2 per cent and the government [redacted] forecasting 4.5 per cent to 5 per cent for 1994. Recent studies suggest that income distribution has also been improving (though this point [redacted] controversial), while the [redacted] between urban and rural areas has broadened during the modernisation process. Agriculture improved slightly in 1993 but the next government will [redacted] tackle serious economic and social problems in the countryside, including those related to the guerrilla influence on how municipal budgets are spent.

The main rivals for the presidency – Ernesto Samper, the governing Liberal party candidate, and Andres Pastrana of [redacted] Social [redacted] party – have committed themselves [redacted] consolidating the opening up of the economy. Both candidates have [redacted] promised improvements in infrastructure, which has failed to keep up with business needs. However, Mr Pastrana is aiming [redacted] higher growth [redacted] and places greater emphasis on internationalisation, while Mr Samper [redacted] jobs [redacted] training programmes. Mr Samper [redacted] he will give priority [redacted] fighting crime in the cities, especially [redacted] as [redacted] in [redacted] countryside, not only with [redacted] with [redacted] persua[redacted] power of [redacted] investment.

Sarita Kendall

Uncertainty about growth prospects

The assassination of Luis Donaldo Colosio, presidential candidate of the ruling Institutional Revolutionary Party party, could not have come [redacted] a worse moment for [redacted] economy.

Last year the economy grew by just [redacted] per cent, and shrank in the second half. Despite the low growth, Mexico ran [redacted] current account deficit of around $20bn, making it acutely dependent on short-term capital inflows.

The rise in US interest rates had put further strain on the [redacted]. Higher [redacted] interest rates [redacted] hit the [redacted] market, one source of foreign capi-

MEXICO

tal, and forced [redacted] to push its [redacted] higher than [redacted] would otherwise [redacted] liked, potentially hurting the [redacted].

The political situation was highly [redacted] before Mr [redacted] assassination. The new [redacted] uprising in the southern state of Chiapas seriously shook the government, and [redacted] doubts about [redacted] tainability [redacted] the economic and political model followed over the past decade. It indirectly came [redacted] to [redacted] renegade presidential bid of Mr Manuel Camacho, the [redacted] envoy in the state, that could [redacted] split the ruling party.

The adverse economic and political environment had taken its toll on financial markets. From February to the penultimate week of March, Mexico's stock market fell [redacted] nearly 15 per cent. The [redacted] lost 7 per cent [redacted] its value against the dollar, and Mexican interest [redacted] reversed their downward trend.

While financial markets proved unexpectedly resilient in the aftermath of the assassination of Mr Colosio, [redacted] killing led to a further [redacted] in interest [redacted]. If more violence lies ahead, then the political uncertainty [redacted] the [redacted] ernment [redacted] choose [redacted] still higher [redacted] rates that would choke the recovery [redacted] faster [redacted] of devaluation of [redacted] that could cause an [redacted] in inflation.

The recession of the second half of [redacted] has [redacted] questions about the efficiency [redacted] Mexico's [redacted] and [redacted] long-term ability [redacted] compete in world markets. [redacted] strong [redacted] and [redacted] to trade has forced [redacted] of unproduc[redacted] companies [redacted] business – in [redacted] such [redacted], toys, paper and pulp, which all contracted sharply [redacted].

In a [redacted] report [redacted] World Bank [redacted] Mexico's low savings rate [redacted] of slow growth has made [redacted] economy overly dependent [redacted] foreign capital. *It concludes that* [redacted] high current account [redacted] and only modest improvements in productivity [redacted] concern [redacted] sustainability [redacted] nomic growth".

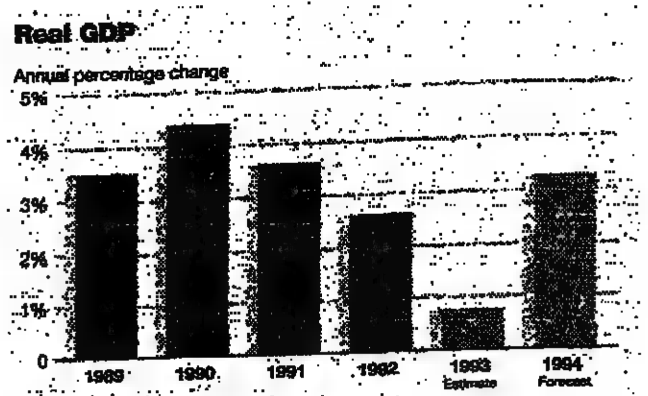
[redacted] Bank attributes [redacted] economic growth [redacted] "substitution [redacted] goods for domestically-pro[redacted] goods". It [redacted] this [redacted] a result [redacted] the low competitiveness of [redacted] companies, partly [redacted] their old technologies have become obsolete, and new investment has replaced existing capital [redacted] rather [redacted] adding [redacted] it.

The government prefers to blame [redacted] on short-term [redacted] single-digit inflation [redacted] led [redacted] high [redacted] and [redacted] budget surplus [redacted], the uncertainty over the US Congressional [redacted] the North [redacted] Agreement [redacted] consumer confidence last [redacted], and the [redacted] slowdown in lending [redacted] recently privatised banks [redacted] problems of [redacted] due [redacted].

There is no [redacted] that [redacted] this [redacted] look more propitious for growth. Monetary and fiscal policy has been loosened.

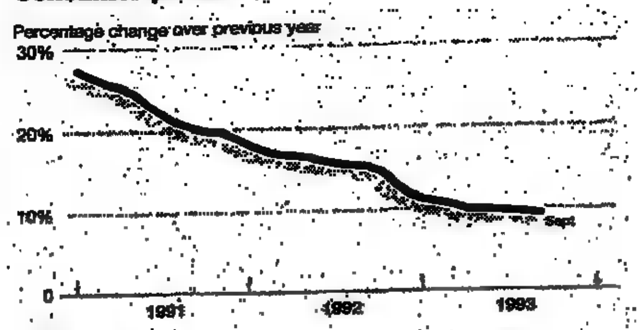
Real GDP

Annual percentage change



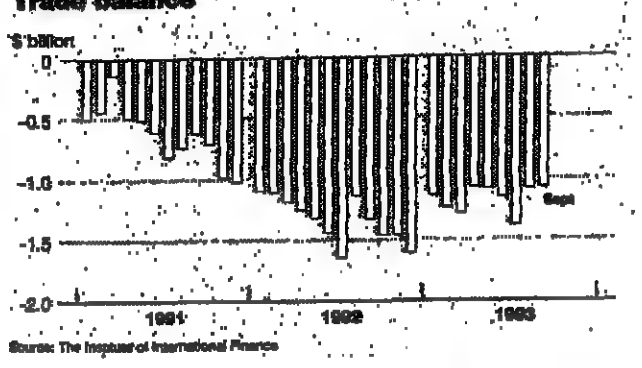
Consumer prices

Percentage change over previous year



Trade balance

$ billion



Source: The Institute of International Finance

Interest [redacted] fallen [redacted] around 9 per cent from 15 per [redacted] in June last [redacted]. The [redacted] announced [redacted] large [redacted] in [redacted] will [redacted] conservative [redacted] turn [redacted] year's surplus into [redacted] balanced budget.

The banks [redacted] started [redacted] money again, as they [redacted] sorted out most [redacted] problems of non-performing

The political situation was highly [redacted] Mr Colosio's [redacted]

loans. The [redacted] of Nafta [redacted] lead to [redacted] increase in [redacted] foreign [redacted] in plant and machinery and should boost business confi[redacted]. [redacted] have [redacted] been run down during [redacted] and if demand picks up, an immediate increase in [redacted] is expected.

[redacted] of economic recovery were evident in November and December with construction activity, investment in [redacted], and [redacted] ble [redacted] sales [redacted] as cars) all growing. Just [redacted] drop in the sales of [redacted] goods indicated [redacted] beginning [redacted] the recession, their recovery [redacted] to indicate [redacted] end [redacted].

However, [redacted] in [redacted] and [redacted] Mr [redacted] may make the [redacted] ery [redacted] robust than hoped for. Consumer spending [redacted] for [redacted] 70 per [redacted] of private demand, and unless this picks [redacted] economic growth will [redacted] sluggish. Non [redacted] goods [redacted] – [redacted] – which went into [redacted] last, continued [redacted] fall in November and December.

Even [redacted] growth reaches [redacted] of 3 per [redacted] this year, there is little [redacted] that after nearly [redacted] decade of pro-market economic [redacted] the [redacted] public was [redacted] more from the last year of the Salinas [redacted]. [redacted] official forecast is [redacted] national income will have increased little more [redacted] the rise [redacted] population over the six years of [redacted] term [redacted] President Salinas.

Damian Fraser

New faces, same policies

The [redacted] Chile's [redacted] administration [redacted] different [redacted] policies remain [redacted] Frei, who in [redacted] helm [redacted] an economy [redacted] averaged [redacted] per [redacted] annual growth [redacted] 10 years, has [redacted] that continuity will be the abiding theme [redacted] six-year administration.

Less than [redacted] hours after donning [redacted] presidential sash, [redacted] was addressing [redacted] of international [redacted] leaders, acknowledging [redacted] part foreign capital [redacted] played in driving export-led development and inviting [redacted] participation. Foreign investment in [redacted] reached record levels of $2.7bn, [redacted] GDP.

Unlike in [redacted] other Latin American countries, [redacted] of [redacted] inflows [redacted] neither short-term [redacted] attracted by [redacted] sell-offs. Much was directed [redacted] medium- [redacted] long-term projects, principally in [redacted] mining and [redacted] sectors, while nearly [redacted] came through [redacted] purchase of American Depositary Receipts (ADRs) issued in [redacted] York by private Chilean companies.

Such levels [redacted]

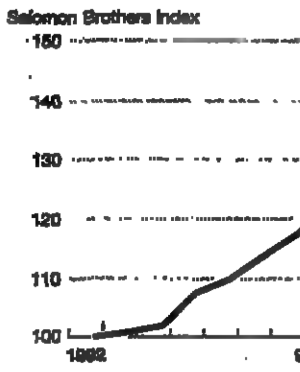
CHILE

testify [redacted] confidence in the soundness of [redacted] macro-economic fundamentals. These include foreign reserves of [redacted] than a [redacted] imports), regular budget surpluses, inflation (though slightly stubborn) at [redacted] per [redacted] and [redacted] levels of savings and investment [redacted] 27 [redacted] tively. According [redacted] Mr [redacted] Lubin, an [redacted] Samuel Montagu recently in [redacted]: "Anyone not impressed by [redacted] figures [redacted] just trying [redacted] clever."

One [redacted] has prompted some concern, though, [redacted] widening current account [redacted] $2.1bn [redacted], nearly [redacted] per [redacted] GDP. [redacted] largely [redacted] by falling prices for raw material exports and surging [redacted] for imports which together produced [redacted] $978m, the [redacted] in nearly [redacted] decade. Mr Lubin, however, says [redacted] ability to sustain the deficit through foreign investment, [redacted] increasing [redacted] stock, is convincing [redacted] health.

Brady Bonds

Salomon Brothers Index



Source: Salomon Brothers

Furthermore, expectations that [redacted] deficit would [redacted] this year are beginning to look pessimistic, with the first two months of 1994 showing [redacted] slight trade surplus.

Chile, which [redacted] nearly two thirds of its GDP, is also witnessing [redacted] internationalis[redacted] of [redacted] financial system. Eight Chilean companies are actively traded [redacted] New York through the [redacted] mechanism and more than [redacted] hoping for [redacted] placements [redacted] year. Foreign interest in [redacted] paper helped [redacted] the Santiago exchange [redacted] shares recorded [redacted] of 50 per cent.

Mr [redacted] Aninat, the new [redacted] minister, is [redacted] to [redacted] integration though [redacted] promised opening up [redacted] the capital [redacted] will [redacted] undertaken "tremendously cautiously". Mr Aninat points to progress made through recent capital [redacted] reform which permits trading in new instruments and allows private pension [redacted] invest a greater proportion [redacted] their [redacted] abroad.

Chile also hopes [redacted] polish its image through a free trade agreement [redacted] the US, either bilaterally [redacted] through accession [redacted] North American [redacted] Agreement (Nafta). Mr Aninat hopes a [redacted] can be struck by [redacted]. By then, [redacted] should also be [redacted] part of the Asia Pacific Economic Co-operation (Apec) bloc, a region [redacted] for a third of [redacted] exports.

Signs of Santiago's growing confidence, reflected in last year's triple B-plus country risk [redacted] from Standard [redacted] Poor's, [redacted] attracted foreign investment [redacted] increasingly long-term projects. British Gas and Houston-based Tenneco Gas, which are negotiating participation in [redacted] project [redacted] pipe natural [redacted] from Argentina, [redacted] not expect [redacted] recoup their investment for [redacted] years. Until recently, such long-term strategies would have [redacted] unthinkable.

Chilean [redacted] deposits, [redacted] richest in the world, are [redacted] magnet for foreign capital. Last year [redacted] US/Canadian [redacted] sortium of Cyprus [redacted] Lac Minerals agreed [redacted] pay [redacted] for 51 per cent [redacted] El Abra deposit which they esti[redacted] will require $1bn development [redacted]. Although there [redacted] difficulties, the large sums on the [redacted] the premium Chile [redacted] reaping [redacted] political and economic stability.

Few analysts disagree with Chile's belief that there are [redacted] in the medium term to sustained annual growth of 6 per cent, though in the [redacted] ing year this is expected [redacted] fall [redacted] 4-4.5 per [redacted].

If anything, opportunities for [redacted] foreign investor should increase. [redacted] new administration, which [redacted] set a [redacted] target for investment in infrastructure by 2010, will be looking for substantial input from private capital. President Frei has also hinted that the stalled privatisation process may [redacted] revived, though [redacted] prize [redacted] all, state copper company Codelco, is for the moment strictly off limits.

David Pilling

Doubts cloud outlook

Last year, Venezuela's capital markets had to cope with a swarm of uncertainties. These [redacted] three [redacted] presidents during a 12-month period, terrorist bombings, an economic recession, high inflation, [redacted] large fiscal [redacted] and weak prices for petroleum exports, which [redacted] the main [redacted] of export receipts for this [redacted] American republic of 30m [redacted] a vital source of revenue for [redacted] government.

In 1994, the markets must still deal with sagging oil prices, inflation, [redacted] deficit [redacted] recession, now in [redacted] second year.

But the country now [redacted] president, Mr [redacted] Caldera, 78, [redacted] began a five-year term on February 2. The political situation [redacted] stabilised, at least for the time being, and [redacted] only bomb [redacted] in January, when [redacted] failure of the country's second-largest bank, Banco Latino, [redacted] off a crisis in the financial system and caused a run on [redacted] government's foreign currency reserves.

Investors still have plenty [redacted] worry about in Venezuela, especially since [redacted] new [redacted] ernment's economic programme (new taxes, budget cuts, price controls, plus [redacted] commitment [redacted] privatisation and new private investment) is just getting off [redacted] ground. It is too early [redacted] say what kind of results [redacted] will produce.

Interest rates remain high, and are [redacted] prime target of the [redacted] administration. Average nominal [redacted] for commercial loans [redacted] February were [redacted] per cent, while average [redacted] for time deposits were 47 per cent.

Inflation was [redacted] per [redacted] in 1993 and [redacted] projected [redacted] be between [redacted] per cent this year. The low figure comes from the government, while the high figure reflects pessimistic thinking by some busi[redacted].

The CPI [redacted] by 4.3 per cent in January of this year, but declined [redacted] 1.9 per cent in February. The drop [redacted] due mainly to the application of selected price controls.

The failure of Banco Latino [redacted] January provoked [redacted] rush to buy [redacted] dollars, and the government's international monetary reserves fell by US$1.4bn in January and February, compared [redacted] full-year 1993.

The Venezuelan bolivar, which [redacted] 25 per cent [redacted] value vis-à-vis [redacted] dollar [redacted]

VENEZUELA

[redacted] continues [redacted] on a daily basis [redacted] crawling [redacted] system implemented by the central bank.

As a result, dollar purchases continue [redacted] stronger than the norm, [redacted] many Venezue[redacted] buying dollars as a hedge against inflation and devaluation.

In spite of all this, [redacted] country's equity market has [redacted] surprisingly strong. The Caracas Stock Exchange Index, which [redacted] by [redacted] than 1 per cent in January, [redacted] up [redacted] per [redacted] by the end of February and by March [redacted] dropped [redacted] 18 [redacted] cent above the [redacted] year-end figure.

In [redacted], the Caracas index [redacted] by 10 per [redacted] in nominal terms, but in real terms declined by 17.5 [redacted] cent. The market went through a series of strong [redacted] and downs last

Interest [redacted] high, and are a prime target of the [redacted] administration

year, [redacted] pattern that [redacted] appearing again in [redacted].

One [redacted] analyst, Mr Alex Dalmady, pointed [redacted] that the roller-coaster performance of [redacted] Caracas exchange in 1993 produced strong gains [redacted] some investors, especially those who picked up blue chips during [redacted] slumps.

This year, he said, market rallies in January and February have left [redacted] Venezuelan industrials undervalued and quite attractive. These include Sivensa, [redacted] steelmaker, Madosa, an appliance company, [redacted] H.L. Boulton, a diversified industrial and commercial group.

However, [redacted] Caracas equity market's outlook for 1994 is [redacted] by the threat of [redacted] proposed [redacted] on bank debits. This [redacted] levy, which is still being considered by Congress, would [redacted] private sector [redacted] individual debit transactions [redacted] banks [redacted] 0.75 [redacted] cent. The [redacted] would [redacted] cheques [redacted] electronic debits.

The [redacted] administration [redacted] that [redacted] will only be in [redacted] until the [redacted] of [redacted] and [redacted] it is necessary to [redacted] part of [redacted] large fiscal deficit.

The president of the Caracas Stock Exchange, [redacted] Norys Aguirre, requested that [redacted] government exclude exchange transactions from [redacted] proposed tax. [redacted] warned [redacted] would significantly raise transaction [redacted] and drive much [redacted] exchange's business [redacted].

A similar [redacted] in Argentina, [redacted] Aguirre said, [redacted] elimi[redacted] several [redacted] soon after it was implemented. [redacted] Argentine authorities discovered that [redacted] tax [redacted] driven much of Argentina's stock trading to neighbouring Uruguay, and had encouraged Argentines to conduct as many business activities [redacted] possible in cash.

[redacted] Venezuelan corpo[redacted] bonds in dollars have declined this year, but [redacted] issues denominated in bolivars are quite strong, according [redacted] Mr Stephen A. Haecker, head [redacted] Bank [redacted] America's local capital market subsidiary, Bamerinvest C.A.

Leading companies such [redacted] the CANTV, La Electricidad [redacted] Caracas and Corimon find that commercial paper offers [redacted] economical alternative [redacted] bank loans. However, the commercial paper market has been somewhat disorganised this year as new government regulators [redacted] over.

Several Venezuelan compa[redacted] have placed their [redacted] on international [redacted] markets in [redacted] years (for example, in the shape of ADRs), and [redacted] small group [redacted] other compa[redacted] are looking at ADR issues for 1994.

Joseph Mann

Business begins to dig in

"Peru has suddenly become a fashionable country for investors," said a senior Citibank analyst on [illegible] late March visit to Lima. "Foreign governments may still have [illegible] tions about issues like democracy and human rights, but business people are digging in here already."

He [illegible] right. In [illegible] past three months, there have been [illegible] indications that Peru can [illegible] considered [illegible] fully-fledged member [illegible] the international financial community. The principal [illegible] set by the government of President Alberto Fujimori [illegible] it took office in July 1990 have been largely – if painfully – achieved.

Tight monetary policy [illegible] brought inflation down to steady levels [illegible] between [illegible] and 2 per [illegible] a month: [illegible] year's [illegible] is [illegible] per [illegible]. Deregulation and economic liberalisation have struck further and [illegible] against deep-rooted statism than in any other country of the [illegible]. And fences [illegible] been rebuilt with [illegible] multilateral organisations: Peru's debt with [illegible] IMF, IADB, World Bank and [illegible] Paris Club has been rescheduled [illegible] fresh [illegible] are flowing.

For [illegible] small but [illegible] stock market has flourished with [illegible] flurry of investment from abroad. The 1992 performance (when the index rose 125 [illegible] cent in dollar terms) made [illegible] the [illegible] second [illegible] profitable emerging market. Significant [illegible] funds [illegible] for two-thirds of all trading, which [illegible] averaging more than \$20m [illegible] day.

Even more encouraging [illegible] recent [illegible] of investor willingness [illegible] commit medium- [illegible] long-term money [illegible] Peru. Spain's Telefonica [illegible] February 28 bid more than \$2bn for a 35

PERU

[illegible] controlling [illegible] in [illegible] country's [illegible] telecommunications companies [illegible] and Entel – the [illegible] price paid in any Latin [illegible] telephone privatisation.

Royal Dutch Shell, meanwhile, [illegible] signing a contract with [illegible] government for feasibility [illegible] which will lead [illegible] development [illegible] the [illegible] they discovered in [illegible]. Political problems had [illegible] but [illegible], if all [illegible] expected, Shell will be making the [illegible] in Peruvian history [illegible] between \$1bn and \$2bn).

Other big-name [illegible] companies [illegible] entering Peru through [illegible] sweeping privatisations [illegible] which [illegible] now forging [illegible]. Anglo American, Cyprus Minerals and China's [illegible] Corporation have already bought important copper and iron deposits. RTZ and Phelps Dodge are [illegible] front-runners for forthcoming minerals sell-offs.

There is keen Latin American interest in Peru's largely decapitalised industrial sector. Chileans have bought into the bottled gas [illegible] paint industries [illegible] as supermarkets and private pension funds; they are [illegible] to snap up parts of the electricity generation and distribution system due for sale later this year.

Mexicans [illegible] acquired the state-owned airline, Venezuelans [illegible] embarked on joint [illegible] in fishing and fish meal, while Colombians and Argentinines have made direct investments in a series of manufacturing [illegible].

[illegible] betting [illegible] strong and sustained domestic growth. [illegible] plummeted [illegible] per [illegible] in the five years [illegible], driving per capita [illegible] the levels of [illegible]. But last year, global output expanded 7 per cent – [illegible] highest growth in the [illegible].

In [illegible] respects, however, [illegible] revival of foreign investor [illegible] has proved [illegible] mixed blessing. [illegible] capital inflows – now running [illegible] \$100m and \$150m [illegible] month – have kept the sol sharply overvalued. Exporters are struggling [illegible] survive while export earnings have remained static for 15 years around or [illegible] \$3.5bn.

The avalanche of dollars from privatisations – now expected [illegible] top \$3bn [illegible] year – is paradoxically another headache. By law, revenue from sell-offs [illegible] earmarked for poverty alleviation (half of Peru's 22m population live in "extreme poverty"), but the state lacks the managerial capacity to spend such amounts. Additionally, injecting into the economy [illegible] in [illegible] the \$450m already agreed with the IMF would be highly inflationary.

One solution, which may prove politically unattractive [illegible], would be [illegible] aside a portion [illegible] the windfall against a future Brady plan. Peru [illegible] so far made no real [illegible] commercial banking creditors to whom it owes some \$7bn of a total foreign debt [illegible] \$22bn. The [illegible] mercial debt [illegible] not been serviced for 11 [illegible].

Mr Jorge Camet, [illegible] minister, has indicated he would like [illegible] embark on [illegible] Brady [illegible] end [illegible] 1994. That, [illegible] it possible to [illegible] clude negotiations in such [illegible] time span, should set [illegible] seal [illegible] what Peruvians call their "financial reinsertion".

Sally Bowen

Investment capital is scarce

The government's initiatives to privatise state-owned enterprises, attract foreign investment and invigorate a fledgling capital market has produced only mediocre results. Foreign investment has still not increased as expected, while the securities markets are experiencing considerable volatile growth.

An economic stabilisation programme and policy reform such as the liberalisation of investment regulations have improved the general investment climate in the country. Since President Sixto Duran Ballen took office 18 months ago, tight fiscal policies brought inflation down from nearly 60 to 31 per cent, while international reserves have reached the highest in the country's history.

The January [illegible] petrol [illegible] closed [illegible] budget [illegible] caused by dwindling oil prices, returning confidence in the government's economic programme. Interest [illegible] fell slightly and [illegible] national [illegible], [illegible] sucre,

ECUADOR

stabilised against the dollar.

The government's fiscal discipline is beginning to reap benefits. Besides reducing inflationary pressure, the government has reached a general agreement with the IMF over its letter of intent. Its approval would reopen the possibility of new bilateral government loans, which [illegible]ave largely been frozen due to Ecuador's moratorium on serving about half [illegible] its US\$12.7bn foreign [illegible] – [illegible] per capita [illegible] Latin America.

"Until [illegible] country's [illegible] is renegotiated, investment capital will [illegible] scarce," [illegible] Giovanni Di Mella, general [illegible] of [illegible]. A US\$200m multisector line [illegible] credit, granted through [illegible] lending agencies [illegible] administered through the National Finance Corporation, [illegible] the principal source of long-term credit open to the private sector.

Legislation [illegible] May 1993 was aimed [illegible] lating and [illegible] the country's dormant securities market. Though the [illegible] and Guayaquil stock [illegible] have [illegible] substantial growth in [illegible], Ecuador [illegible] the new emerging market some had expected.

[illegible] Ecuadorean [illegible] exactly flocked [illegible] capital [illegible] in the [illegible]. Ecuadorean companies, often family-owned [illegible] public trading, are reluctant [illegible] provide [illegible] information now required by [illegible] register in [illegible] securities market. Furthermore, both stock exchanges are only [illegible] acquiring basic services such as a clearing house, electronic transfer, and an internationally-recognised custodian bank.

Yet, above all, international [illegible] been [illegible] sioned by the slow and irregular privatisation process, after its grand announcement by the

Continued on page 4

Privatisation winding down

Argentina's great privatisation bonanza that helped revive its capital markets, is winding down. Privatisations are not entirely [illegible]. The government still retains substantial minority holdings in the privatised companies that [illegible] will [illegible] local and international stock markets.

But the financial industry has replaced privatisation [illegible] one of the principal magnets attracting international funds

ARGENTINA

[illegible] finance Argentina's external deficits. Argentina [illegible] expected to need \$12bn in foreign capital this year. Much of [illegible] will be raised by private companies [illegible] channeled into equity markets.

However, the rise in US interest [illegible] Argentine [illegible] than other countries [illegible] the region, underlining the fragility [illegible] its external financing. The assassination of Mr Luis Colosio, Mexico's leading presidential candidate, brought further turbulence, wiping [illegible] all this year's gains in share prices.

Mr Steven Darch, managing director of Buenos Aires' Marlva merchant bank, says: "Argentina [illegible] being bridged by international cash flow. [There is] growth [illegible] market, [illegible] real [illegible] has come from international [illegible] flows, a lot [illegible] which is [illegible] stable."

But he [illegible] Argentina [illegible] "long-term financial and strategic investors looking for a 7-10 year horizon". [illegible] these investors, plus entirely new [illegible] will provide [illegible] other [illegible] of the financing bridge.

For instance, [illegible] introduction in July of [illegible] private pension fund system will bring greater stability and [illegible] market. Contributors will [illegible] channeling [illegible] 300m [illegible] month into financial markets. Baring Securities forecasts pension fund assets [illegible] \$30bn in [illegible]. And [illegible] World Bank in March approved [illegible] 15-year backstop credit line, the first of [illegible], to support [illegible] term finance for the private sector.

New boutiques have sprung [illegible] in response to changing market [illegible] and [illegible] lished houses are [illegible] the new market context. One new boutique is Buenos Aires Capital Partners, [illegible] up by former JP Morgan executives, that started [illegible] an adviser to the government and buyers of privatised companies.

Mergers and acquisitions are likely [illegible] a staple activity [illegible] investment banks. Mr Timothy Gibbs, president of Buenos Aires Capital Partners, [illegible] "significant [illegible] in [illegible] in Argentina by international companies, as [illegible] gic investors get comfortable with Argentina and Latin America as a whole".

Recent months [illegible] seen a number of acquisitions by multinationals such [illegible] Cadbury-Schweppes and Procter and [illegible] as well [illegible] companies from Brazil, Chile and [illegible]zuela. However, [illegible] M&A market [illegible] unlikely to explode [illegible] life. [illegible] reason [illegible] of targets. [illegible] Argentine [illegible] turn [illegible] than \$100m a year. And owners, [illegible] families, give [illegible] control of their companies only as [illegible] resort.

Inevitably [illegible], increased competition, [illegible] capital [illegible] modern management techniques are [illegible] to [illegible] greater restructuring of [illegible] corporate [illegible] than [illegible].

Linked [illegible] the resistance of private companies to [illegible] capital [illegible] the equity market. Little more than [illegible] companies [illegible] public [illegible] years, [illegible] though [illegible] will [illegible] prices [illegible] any stock. Many medium-sized [illegible] are unviable, while those with a future [illegible] in [illegible] restructuring and not ready for the market.

For the [illegible] reason, [illegible] Argentine companies have [illegible] Chilean and Mexican companies in approaching the [illegible] equity [illegible] ADR [illegible]. A Buenos [illegible] banker comments [illegible] "[illegible] pick [illegible] speed. [illegible] phase is the placement of debt, which [illegible] are now. [illegible] will come more [illegible] locally. Only [illegible] on are we going to see a [illegible] ADR issues".

Hyperinflation in 1989-90 wiped out companies' liabilities, giving them considerable headroom to raise debt. The [illegible] commission authorised companies to issue \$523m in bonds in 1991, \$1.88bn in [illegible], and \$5.3bn last [illegible]. This has raised concern about deteriorating credit risk [illegible] poor [illegible] of funds, although optimists [illegible] Argentine companies [illegible] still undergeared by international [illegible].

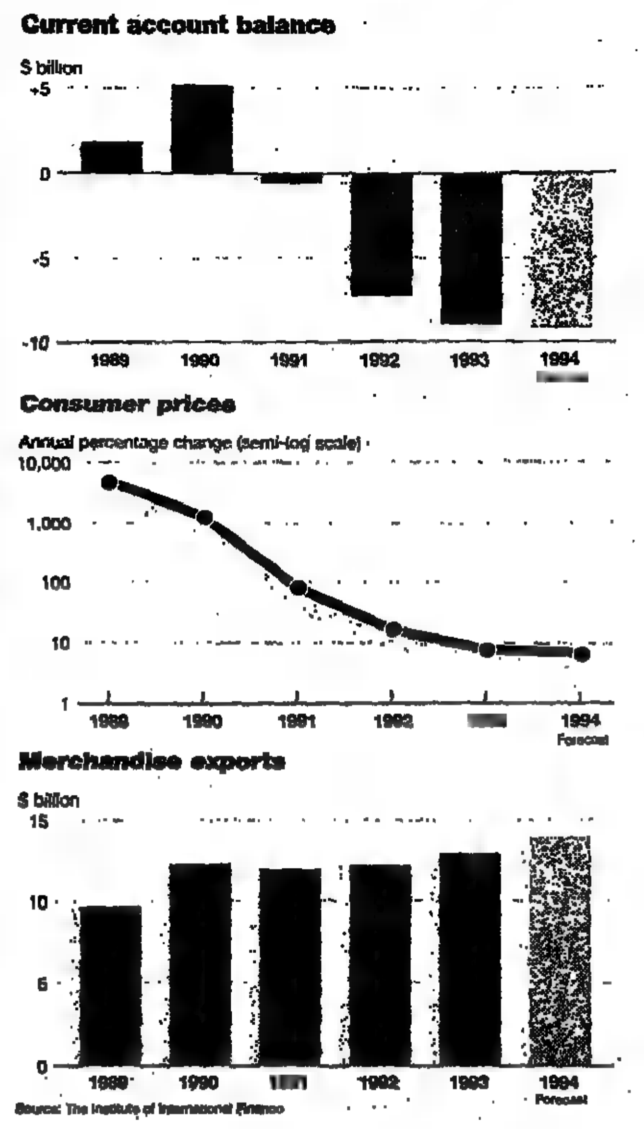
[illegible] neglect [illegible] Argentina with [illegible] infrastructure, which will require substantial investments in future [illegible]. But Mr [illegible] says [illegible] are still unwilling to make long-term loans to Argentina. This could mean [illegible] markets will play [illegible] role in project finance than [illegible].

[illegible] as [illegible] securities approach [illegible] as [illegible] bank finance may become [illegible]. Projects may be financed through a blend of conventional lending and imaginative capital [illegible] instruments. The brave [illegible] of Argentine [illegible] will [illegible] be [illegible] everyone. [illegible] even large Argentine banks [illegible] a poor [illegible] high finance.

Argentina [illegible] banks and an equal [illegible] brokerages, [illegible] which have much [illegible] future. Too [illegible] are small and under-capitalised, presenting [illegible] threat [illegible] the [illegible].

[illegible] still lacks a credible market regulator [illegible] tematic [illegible] of disclosure [illegible] trading [illegible]. The [illegible] in March of Mr Martin Redrado [illegible] president of the [illegible] on political [illegible] sent [illegible] disquieting signal [illegible] international [illegible] system.

John Barham



Source: The Institute of International Finance

Crucial test for sleeping giant

With a government anti-inflation plan and general elections, many analysts believe [illegible] will be [illegible] crucial test of whether Latin America's "sleeping giant" is prepared to wake up and reform.

While the rest of the continent has beaten back inflation, Brazilian prices soared by about 2,500 per cent last year, twice the [illegible] rise, and [illegible] running at a rate of more than 5,000 per cent a year.

Under the plan, [illegible] inflation rate will probably fall substantially, at least temporarily. This stabilisation, although accompanied by high real

BRAZIL

interest rates, is expected to increase consumer demand and help gross domestic product to grow by 2-4 per cent this year compared with nearly [illegible] per cent last year.

The stock market [illegible] likely to be highly volatile, particularly in the run-up to elections.

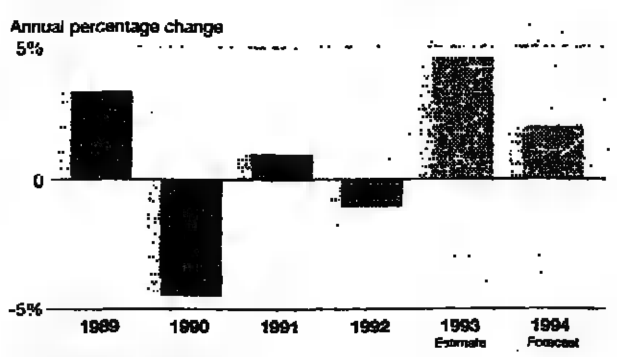
"Brazil is such a special case," says Roger Palmer, director of emerging markets [illegible] brokers Kleinwort Benson, referring to the uncertainties surrounding the continent's biggest economy. [illegible] adds that anyone investing there "is taking [illegible] complete gamble [illegible] whether the plan works".

Gambling on Brazil paid off last year, when Sao Paulo's stock exchange index was among the world's best performers, more than doubling in dollar terms in spite of the increase in inflation.

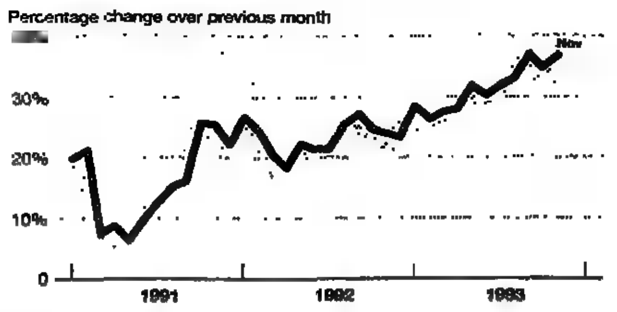
That could [illegible] dramatically under the plan, which involves [illegible] balanced federal budget and [illegible] proposed dollar-linked currency anchored by the central bank's record foreign exchange reserves of about $37bn. The market thinks the new currency will be introduced in June or July.

But the doubt is whether lower price rises can be maintained. Most analysts believe that to achieve long-term stability Brazil must reform its economic and political structure. For example, under the constitution the government must pass on [illegible] revenues to states and municipalities. The resulting deficits have been financed by short-term debt paper that fuels inflation.

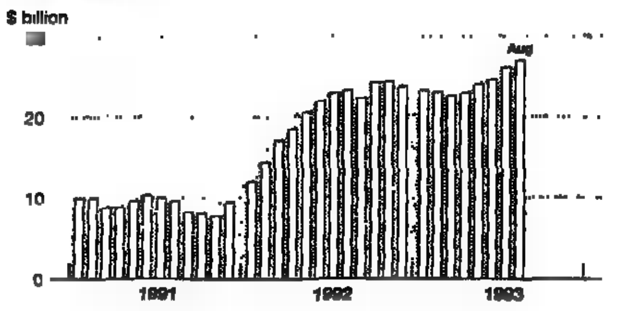
Real GDP



Domestic prices



International reserves



Source: The Institute of International Finance

For this to [illegible] changed [illegible] for reforms [illegible] the tax and welfare [illegible] privatisation, the constitution must be altered. A constitutional review began [illegible] year but [illegible] likely [illegible] postponed until 1995, partly because of problems in obtaining congressional quorums in [illegible] election year.

If the review [illegible] postponed, structural changes will depend in large part on who wins the presidency and whether [illegible] has support in Congress. The front runner is Mr Luiz Inácio "Lula" [illegible] Silva of the left-wing Workers' Party. Mr [illegible] Silva [illegible] regarded with suspicion by [illegible] financial markets, which [illegible] halt in privatisation and [illegible] slowdown in moves to modern[illegible] economy along neo-lib[illegible] lines.

The markets want finance minister Fernando Henrique Cardoso [illegible] run for president, in the hope he can build an alliance against [illegible] Silva. If [illegible] plan works [illegible] Mr Cardoso looked [illegible] to win the stock market would "explode", say brokers. Investment [illegible] CS [illegible] predicts [illegible] equities could double again this year. On the other hand, problems with the stabilisation plan [illegible] a strong campaign by Mr [illegible] Silva could lead [illegible] heavy losses.

In the first quarter, Brazilian stocks appreciated [illegible] then [illegible] by [illegible] in [illegible] interest [illegible] and by [illegible] partial withdrawal from [illegible] by foreign investors. Despite this, net foreign investment in [illegible] capital markets remained positive, if reduced, compared with record inflows last year.

In [illegible] foreign investment in the capital markets, mainly in equities, [illegible] $5.5bn, [illegible] pared with $1.3bn the year before. Eurobond issues hit record volumes and there was [illegible] of capital into the fixed income market thanks to inter[illegible] rates of [illegible] per [illegible] in [illegible] annual terms.

Brazil's success in sealing the Brady plan debt restructuring agreement with its [illegible] banks this [illegible] was seen as important in the long run in integrating the country with world financial markets but, [illegible] of the [illegible] in US inter[illegible] an increase in the volume of Brazilian [illegible] is unlikely in the short term.

Mr [illegible] Eduardo Martins, a director [illegible] investment bank Patrimônio, predicts that more Brazilian companies will seek [illegible] launch American Depositary Receipts to [illegible] capital this year since, with last year's stock market growth, [illegible] shares [illegible] approaching or above the company's book value. Most of the equities growth last [illegible] was fuelled by hopes [illegible] broader privatisation programme and confidence in Mr Cardoso along with [illegible] belief, particularly by foreign investors, [illegible] Brazil[illegible] undervalued. Analysts point to companies like Telebrás, the government-controlled telecom company, whose [illegible] quoted below book value.

[illegible] Cristina Vervloet, [illegible] director [illegible] brokers Socimer [illegible] Brasil, [illegible] the local market has become much [illegible] influenced by foreign investors, [illegible] though the foreign share of trading is comparatively low, at 15-20 per cent.

[illegible] being welcomed [illegible] stock market, foreign investors have had [illegible] door shut [illegible] many local fixed income instruments [illegible] the central bank is expected to increase [illegible] new tax on fixed income instruments if there is a flood of foreign capital attracted by [illegible] higher interest rates under [illegible] anti-inflation plan. In [illegible] first quarter, real inter[illegible] overnight mar[illegible] were [illegible] per cent.

Patrick McCurry

Rich in natural resources

Bolivia stands at the heart of South America and [illegible] a country rich in natural [illegible] yet little [illegible] known save for a mistaken image abroad that it continues [illegible] languish amid high inflation and political problems.

Nothing could be further from the truth. Bolivia implemented [illegible] landmark structural adjustment plan in 1985 which reduced 20,000 per [illegible] inflation [illegible] single figures in [illegible] year.

BOLIVIA

Gonzalo Sanchez de Lozada, the planning minister who masterminded Bolivia's anti-inflation programme, [illegible] to public [illegible] last August as president with [illegible] programme to capitalise [illegible] leading [illegible] enterprises. This will involve handing [illegible] the administration of [illegible] companies – in the [illegible] of telecommunications, oil and [illegible] and air [illegible] port, smelting and electricity – [illegible] foreign [illegible] as well [illegible] free distribution of [illegible] per [illegible] public [illegible] voting [illegible] Boliv[illegible]. The government reckons [illegible] scheme will [illegible] US$8bn in foreign investment over the next four years and result in [illegible] per cent rate of GDP growth by 1997.

One project that [illegible] caught the [illegible] of foreign investors [illegible] the construction of [illegible] pipeline from Bolivia [illegible] the [illegible] Grosso to the industrial city of Sao Paulo in Brazil. The Brazilian government's decision to [illegible] the monopoly of [illegible] in Brazil – [illegible] condition set by the World Bank – paves the [illegible] for the signing of this [illegible] contract with Bolivia. The [illegible] will ensure Sao Paolo [illegible] cu m [illegible] Bolivian natural gas a [illegible] power six hydroelectric turbines which will [illegible] 30 per cent of the city's [illegible].

Bolivia's state oil and [illegible] producer YPFB hopes [illegible] complete [illegible] US$2bn funding for [illegible] pipeline by August, when [illegible] project will be put up for international tender. Besides selling [illegible] to Argentina and Brazil, Bolivia is looking to [illegible] 14.5m cu ft [illegible] gas a day to Paraguay for industrial and [illegible].

[illegible] Bolivia [illegible] retary [illegible] hydrocarbons, [illegible] value of YPFB, which [illegible] one [illegible] the [illegible] monopolies [illegible] capitalisation, [illegible] from US$1.5bn to [illegible] but [illegible] figure [illegible] rise once [illegible] proj[illegible] export [illegible] to Brazil [illegible] closer [illegible] coming on [illegible] in 1997. YPFB currently accounts for half of the Bolivian [illegible] revenues. Several foreign [illegible] panies involved in the gas industry including BHP, Ten[illegible], British Gas, Enron and Total have expressed interest in the project.

Mining sector investment in 1994 will [illegible] between US$40m and US$50 according to [illegible] Villalobos, the national secretary [illegible] mining. Investment in the sector virtually ground [illegible] a halt until the Inti Raymi gold mining corporation ploughed US$150m into [illegible] operations in [illegible]. Mining sector investments totalled US$45.8m in 1993. [illegible] declined [illegible] to depressed world market prices and [illegible] failed contract involving FMC Lithium Division.

A [illegible] pipeline [illegible] Paulo has captured foreign attention

Mr [illegible] now [illegible] a medium-term plan [illegible] invest [illegible] in [illegible] through [illegible] "joint [illegible]". Comibol will [illegible] of production [illegible] the administration [illegible] joint [illegible]. These [illegible] will serve to attract investment, technology, create new jobs, and raise tax revenues.

In a country still sensitive [illegible] privatisation, Mr Villalobos defined "joint venture" as "the participation [illegible] the private sector in [illegible] of production from which the [illegible] is pulling out". Comibol is seeking [illegible] and [illegible] companies to exploit rich untapped reserves [illegible] Huanuni, [illegible] open [illegible] mining methods.

Until [illegible] projects bear fruit, Comibol will continue to operate and produce [illegible] its only profitable mines: Colquiri, Huanuni and Caracoles.

Mining exports have throughout Bolivian history [illegible] pattern [illegible] country's external trade, first with silver, then tin and more recently [illegible] a range [illegible] mining products. Non traditional exports appeared from nowhere in the 1980s [illegible] their [illegible] the top [illegible] the list [illegible] exports will [illegible] phase in foreign trade.

Non-traditional exports [illegible] US$270m in 1993 – [illegible] unofficial figures say [illegible] figure [illegible] be [illegible] high [illegible] US$300m. Bolivia exported minerals worth [illegible] in [illegible], although this figure [illegible] revised [illegible] around [illegible] by the Central Bank.

Winston Moore

'Not yet emerging,' is the verdict

Central America [illegible] come [illegible] long way from [illegible] investors' wasteland of a [illegible], [illegible] opportunities [illegible] thin compared [illegible] emerging markets, and bureaucratic [illegible] can [illegible] formidable.

"Not yet emerging," is how one financial analyst [illegible] Guatemala the largest [illegible] omy [illegible] the region, [illegible] guerrilla [illegible] persists after 33 years.

The [illegible] of former [illegible] Jorge Serrano, who failed [illegible] powers [illegible] May, [illegible] slowed privatisation plans, [illegible] the new government has lurched from [illegible] political [illegible] another.

The recent [illegible] social democrats, Mr Jose [illegible] Figueres in [illegible] Rica, [illegible] Mr Carlos Roberto [illegible] in Honduras, in [illegible] region's [illegible] stable countries, [illegible] gests less future [illegible] liberalisation, and more [illegible] social [illegible].

In El Salvador, Mr [illegible] of the governing right-wing [illegible] party, [illegible] will probably win [illegible] presidential run- off this month, is expected to continue the liberalising policies [illegible] his predeces[illegible] have [illegible] interest.

But [illegible] problems on implementing [illegible] United Nations-sponsored [illegible] agreement could [illegible] political stability.

Seemingly chronic instability in Nicaragua, which has [illegible] recovered from [illegible] divi[illegible] of [illegible] civil [illegible] in the 1980s, [illegible] even put [illegible] Central American investors. [illegible] year [illegible] the first in [illegible] Nic[illegible] grew.

In Panama, [illegible] recov

CENTRAL AMERICA

ered [illegible] importance as [illegible] financial centre following [illegible] oust general Manuel Noriega in [illegible], the favourite [illegible] presidential [illegible] in May [illegible] Mr Ernesto Perez Balladares, [illegible] former finance minister, from [illegible] Noriega's party.

But most [illegible] are undergoing World Bank [illegible] tural adjustment programmes, and have standby [illegible] with the [illegible] Monetary [illegible] which have [illegible] inflation, cut tariffs, [illegible] more [illegible] driven [illegible] with [illegible] exchange [illegible].

Mainly repatriated private capital has [illegible] into [illegible] region, [illegible] by [illegible] interest [illegible] more [illegible] currencies, and more fluid currency regulations, to underwrite the [illegible] trade deficit.

But [illegible] fledgling markets are dominated by government [illegible], [illegible] few companies have [illegible] beyond issuing [illegible] debt. A number of privatisations, mainly [illegible] small [illegible] companies, [illegible] taken place [illegible] the [illegible].

There [illegible] residual suspicion towards Central [illegible] whose high political [illegible], with [illegible] exception of [illegible] Rica, [illegible] limited long-term capital investment. But [illegible] niche opportunities providing high margins exist, [illegible] Jeffrey Erkelens [illegible] Grupo Antigua, an investment consultancy. "You [illegible] Central America [illegible] large [illegible] tional pension funds, but there are opportunities for [illegible] capital and private equity funds." The local private sec[illegible] lobbying for privatisation [illegible] energy generation, tele[illegible] and transport services, which would help [illegible] develop [illegible] markets, and provide opportunities for foreign investors.

In El Salvador, Mrs Mirna Marques de [illegible], the planning minister, says $1bn is needed to invest [illegible] the energy sector over the next five [illegible]. There is [illegible] in governments throughout [illegible] region that foreign private capital will [illegible] modernise poor infrastructure.

The Honduran government is making moves [illegible] privatise Hondutel, [illegible] telephone company, [illegible] of [illegible] few public utilities that makes [illegible] profit. There [illegible] similar [illegible] in Nicaragua, and in El Salvador. But in Guatemala a recent proposal for securitisation of future [illegible] international calls, broke down through a combination of government indecision and union [illegible].

For Mr Gerardo Zepeda, a senior official at Sieca, [illegible] regional [illegible] organisation [illegible] promotes integration, [illegible] towards free movement [illegible] goods and [illegible] within [illegible] region [illegible] new incentive. "The market [illegible] – [illegible] 30m people with combined GDP of [illegible]," he says.

But Mr [illegible] admits that [illegible] industry is unlikely [illegible] locate [illegible] Central America, until [illegible] and [illegible] are improved. And in [illegible] progress, for example on intellectual property rights, [illegible] and incentives for foreign [illegible] are still [illegible] or [illegible] in most [illegible] he says.

Edward [illegible]

New incentives for investment

Caribbean countries [illegible] seeking new ways [illegible] attract foreign economic support, following [illegible] unenthusiastic response to their [illegible] to lure private foreign investment.

[illegible] increasing uncertainty [illegible] the future of markets for traditional commodity exports, and growing reliance [illegible] fickle tourism, several governments have radically reshaped their

CARIBBEAN

economic policies, implementing wholesale deregulation, opening their markets, removing exchange controls and floating their currencies.

Regional economists [illegible] that the [illegible] by foreign inves[illegible] steps [illegible] disappointing, especially for [illegible] governments of [illegible] Dominican Republic, Guyana, Jamaica and Trinidad and Tobago. [illegible] from traditional sources in [illegible] America and Europe have [illegible] diverted to more attractive places, including eastern Europe, the far East and Mexico, [illegible] regional economists.

While the [illegible] of some Caribbean countries recorded fair levels of growth [illegible] year, the performance of [illegible] was disappointing. In reviewing the performance of regional [illegible] mies in 1993, the Caribbean Development Bank said that growth of between 7.5 per cent and 3.5 per cent in gross domestic product was recorded by several countries, including Guyana, the Cayman [illegible] and Belize. Lower than [illegible] ted earnings from banana exports led [illegible] low growth in the Windward islands [illegible] Dominica, Grenada, St Lucia and St Vincent.

Jamaica recorded low growth because of marginal expansion in bauxite [illegible] agricultural commodities, while Trinidad [illegible] Tobago's [illegible] omy contracted because of the weak [illegible] the international market for oil, [illegible] country's main export. The National Planning [illegible] the Domini[illegible] Republic said that the economy [illegible] year by 2.7 per cent.

The prospects for improve[illegible] in the short [illegible] depend [illegible] performance of the industrialised economies, mainly the US, [illegible] region's main trading partner, [illegible] European Union.

Government planners and economists say that if the signs of improvement in some OECD economies [illegible] trans[illegible] into sustainable growth, [illegible] will help [illegible] lift Caribbean economies out of their lassitude.

In the meantime, several governments are hoping that their [illegible] towards economic deregulation, including the divestment of a [illegible] of [illegible] enterprises, will increase investment flows. [illegible] companies, hotels, telecommunications firms and airlines [illegible] being offered for [illegible] to foreign and [illegible].

[illegible] divestment [illegible] given a fillip to regional stock exchanges, mainly in [illegible] dos, Jamaica and Trinidad and Tobago. Coinciding with [illegible] opening [illegible] regional economies, this [illegible] stimulated the development [illegible] financial markets. Foreign and local inves[illegible] becoming increasingly involved in [illegible] flotation of [illegible] and the underwriting of privatisation issues. Unit trusts [illegible] increasingly attrac[illegible].

There remain, however, some [illegible] to [illegible] expansion of capital markets in the region. In Jamaica the bond market has been killed by inflation which was 30 per [illegible] year. The [illegible] lively in Trinidad and Tobago, where inflation last year was [illegible] per cent, and this helped [illegible] take up [illegible] slack in the equity market.

In Jamaica [illegible] bond market [illegible] killed by inflation

The market for equities in the region is underdeveloped. While some private issues [illegible] favourably received, many companies are highly geared, continuing [illegible] finance their operations through debt rather than equity. The capital markets in the region [illegible] dominated either by short-term, attractively priced government paper, on [illegible] one hand, and instruments which are held as longer term investments, with their [illegible] unwilling to [illegible] is compounded by [illegible] absence of a secondary market in [illegible] countries in [illegible] region.

Opportunities for investing in [illegible] Caribbean will improve later [illegible] year with the establishment of a [illegible] investment fund for the 13 members of the Caribbean Community (Caricom). The fund's investments are expected to include equi[illegible] in all Caricom member countries, with a portfolio which will [illegible] listed and unlisted stocks, including unquoted companies wanting funds for expansion and likely [illegible] stock [illegible] ket.

It will undertake equity investments in sectors such as export and domestic agriculture, tourism, construction, utilities, financial services and real [illegible] development, but with more attention [illegible] those undertakings involved in exporting to hard currency markets.

Canute James

Investment capital scarce

Continued from page 3

government, [illegible] Arturo Qui[illegible] Riumallo, executive director of [illegible] Quito Securities Market. Poor management in the sale [illegible] shares by the government has led numerous investors to abandon Ecuador's securities market, he says.

The total [illegible] of securi[illegible] traded in Quito and Guayaquil in [illegible] equalled US$242m. Until [illegible] both buyer and seller of the first issue of stocks receive [illegible] credit worth [illegible] per cent of the nominal value. Still to [illegible] on the [illegible] public shares in [illegible] hotel, [illegible] shipping company and cement companies. The total divestiture may amount to US$170m by next year.

Whether there are bigger [illegible] be fried in Ecuador will depend on Congressional approval of specific legislation required to privatise the telecommunications, electricity and petroleum sectors. With the proper legislation in place, the first so-called strategic [illegible] tor company [illegible] on sale would be the telephone company Emetel, worth about US$1.6bn. Yet, given the president's lack [illegible] popular and Congressional support, the [illegible] are against a prompt approval.

Meanwhile, a key reform of the financial sector is in [illegible] making. The law on financial institutions [illegible] deregulate the financial sector, increase competition among banks and allow for increased foreign capital inflow, including mergers with local institutions, will be sent to Congress shortly. At the same time regulations over banks' offshore operations will [illegible] tightened.

Market capitalisation (US$m)

[illegible]	Nov 1993
Argentina	31,615.8
Brazil*	95,490.5
[illegible]	39,319.2
Colombia	7,670.7
Mexico	168,685.2
Peru	4,578.9
[illegible]	6,179.5

Source: World Bank

Raymond Colitt

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REGIONAL ISSUES

Stephen Fidler looks at trade accords

Agreements may hinder growth

Those arguing that Latin America is set for substantial growth into the 21st century often cite the rapid move of the region towards free trade in support of their case.

There is little doubt that trade within the western hemisphere is growing rapidly, if from a low base that has characterised the region's trade relations in the past. The proportion of the region's exports accounted for by other Latin American countries jumped to 16.7 per cent in 1992, up from 10.8 per cent in 1990. US exports to Latin America have doubled in seven years, rising to more than $80bn in 1993.

Yet this growth stems largely from the unilateral reduction of trade barriers in nearly every Latin country rather than the complicated patchwork of trade agreements which has grown up in the region in recent years.

Furthermore, some proponents of free trade are beginning to worry that this proliferation of agreements may hinder further trade growth and provide obstacles to the development of a free trade zone in the whole western hemisphere.

Far from being the building blocks of hemispheric economic integration, sub-regional free trade agreements "are more likely to be stumbling blocks," argues Mr Moises Naím, senior associate at the Carnegie Endowment in Washington and a former Venezuelan minister.

One concern is that so many of these agreements lack common external tariffs, requiring in their place complicated agreements on rules of origin. The aim of rules of origin is to prevent the country with the lowest tariff acting as the conduit for all exports from outside the free trade area.

They have a potential, however, for developing into a bureaucratic nightmare and being used as a proxy for protectionism. In this way, these agreements could water down the benefits of generalised lower tariffs, and herald a return to the inefficient and usually corrupt customs operations from which the region moved in the late 1980s.

Where trade agreements do carry provisions for common external tariffs, there have usually been difficulties. Mercosur, which brings together Brazil, Argentina, Paraguay and Uruguay, was forced to agree a list of important exceptions to the common tariff. The Andean group of Venezuela, Colombia, Ecuador, Bolivia and Peru, meanwhile, has to cope with the supposedly temporary withdrawal of Peru, lower tariffs negotiated for Bolivia and the new Venezuelan government's suspicion of neighbouring Colombia and its general distrust of free trade.

US exports to Latin America have doubled in seven years

The Caribbean Community's attempts to lower its common external tariff have been beset by compliance problems, while the common external tariff proposed in 1997 for the Central American Common Market is likely to be selective.

But these are not the only concerns. A proliferation of trade accords could marginalise some states by encouraging investment to concentrate on a few "hub" countries and by developing trade links between the most dynamic economies, leaving others by the wayside.

Even the prospect of free trade with the US does not necessarily offer the benefits to Latin American economies that are commonly supposed.

A 1992 analysis by two World Bank economists, Refik Erzan and Alexander Yeats, argued that the trade benefits for most Latin counties – apart from Brazil and Mexico – of free trade with the US will anyway be small. This is because most Latin American products – predominantly raw materials – enter the US with low tariffs already.

The analysis ignored the dynamic trade effects – the possibility that an open US market might encourage Latin economies to move "downstream" over time, exporting less in raw materials and more value-added products.

Neither could it examine the other benefits – the insurance effect of being allied to the US if the trading system degenerated into blocs and the increased investment flows that would possibly emerge from the longer-term stability in economic policy that would be inferred.

However, free trade agreements with the US or accession to the North American Free Trade Agreement between the US, Mexico and Canada are unlikely to be easy to achieve.

While US officials have privately raised the question of whether Mexico will be willing to let other Latin countries into its exclusive Nafta club, the US will in fact dominate decision-making.

In July, Washington will name those countries eligible to negotiate free trade agreements with the US. The nomination does not commit the US to negotiations and is silent on whether accession to Nafta or a bilateral trade accord with the US is the right way forward. The list will be next reviewed in 1997.

Trade will also be on the agenda for the Summit of the Americas meeting planned for Miami in December, and the Clinton administration has repeatedly indicated its willingness to talk next with Chile about free trade agreements.

But it is far from certain that the administration, which expended much political capital in pushing Nafta through, will want to spend more on a relatively minor policy priority. Further, apart from Chile, it is not clear that other countries meet the conditions the US now apparently believes necessary to join the Nafta club – in particular labour and environmental requirements.

Can Latin America finance its privatised infrastructure? **Stephen Fidler** discusses the problems

Possibly far more talk than action

One of the most dramatic signs of the shift towards market-orientated economic policies in Latin America has been privatisation programmes on an unprecedented scale.

Yet the shifting of government assets and responsibilities to the private sector has raised a number of important questions. One of the most pressing is how infrastructure development can be financed. This is more than a financial question: the debt crisis of the 1980s and the consequent budgetary stringency resulted in a deterioration of infrastructure which in many countries represents a real obstacle to growth.

Many of those involved in project finance believe that pure privately-financed infrastructure projects will be few and far between. Mr John Flora, transport specialist at the World Bank, told a Canning House conference in London last month : "We are not going to see many pure private sector financings. It's going to take a partnership of government, the private sector and third party intermediaries."

While the governments of Latin countries have in many cases moved rapidly to privatise assets – with the backing of the World Bank and other development institutions – these institutions have themselves moved slowly to accommodate the changes.

The World Bank is forbidden by its statutes from lending without government guarantee, and until now, convention has dictated that the InterAmerican Development Bank lends only to governments.

The World Bank has a private sector arm – the International Finance Corporation – but it is too small to handle the demand for infrastructure finance from the region, let alone that coming from rapidly-growing economies in Asia.

Before he stepped down last year as head of the IFC, Sir William Ryrie, argued in a speech in London that "in the World Bank group, the balance between state-funding and private-sector-supporting activities needs to be reconsidered". Some ideas had been put forward for a transfer of resources from the World Bank to the IFC and these needed careful thought, he said.

The subject of providing finance for infrastructure has been preoccupying senior bankers and finance officials, but the results of their deliberations have not yet emerged. Export credit agencies have been talking under the auspices of the Berne Union over how project finance can be provided, and Britain's Export Credit Guarantees Department has issued preliminary proposals for more flexibility.

The Institute of International Finance – the Washington-based think tank owned by international banks – has been holding talks with the World Bank, the IADB and the US Treasury, among others, to find ways to bring banks into project financings.

Mr Anthony Bottrill, deputy-managing director of the Institute of International Finance, said: "Private borrowers are going to become increasingly important and it's important that the multilateral development banks adapt accordingly. What we'd like to see is each creditor and investor group playing a role that reflects its comparative advantage.

"Private lenders should be looking at commercial risk, but they are not as well placed to go with political risk and transfer risks. The official lenders should use their guarantee authority to guarantee against political risk."

This would involve the official lenders using much more fully than in the past guarantee powers that shareholder governments have been unwilling to see used.

Mr Bottrill said much of what the banks are seeking are contained within the existing Expanded Cofinancing Operations programme of the World Bank. "The ECO programme contains within it most of the features but it hasn't been used actively enough." The reason for this in part has been the reluctance of government shareholders to push the institutions into private sector lending, in part because of concern about the effect this would have on their credit rating.

These worries have been reflected in discussions about increasing the capital of the IADB. The IADB will in coming years be the only official net provider of finance to the region as, barring a new financial crisis, Latin American countries will be repaying the World Bank in net terms.

However, European shareholders, in particular, have been anxious to keep down the level of funding for private sector infrastructure development. Discussions continue but, while the bar to private sector finance will be lifted, loans to the private sector may well be limited to 5 per cent of overall new lending, some $400m-$500m a year. Those countries that have privatised most will receive a disproportionate amount, but even supposing this lending will act as a catalyst for private sector financing, the amounts will still be small compared to infrastructure demands.

Mr Alberto Paz, chief of the InterAmerican Development Bank's transportation and communication division, said some projects have been delayed while the discussion continues. "We have a lot of projects that have been delayed in the expectation that this facility will be available."

But slow movement by official lenders is not the only reason why, in the words of Mr David Suratgar, deputy-chairman of Morgan Grenfell International, "there is possibly far more talk than action".

Banks remain inhibited from lending for a variety of reasons. Many still harbour memories of the 1980s debt crisis and are worried by the country risk.

Many banks no longer have a presence in Latin America to monitor their lending. Furthermore, said one British banker, "project finance is very time-consuming and a lot of banks are concentrating on the Far East – that is where the deals get done."

The growing importance of the securities markets and institutional investors may to some extent offset the reticence of the banks. Last year, for example, a group of energy companies launched a fund – along with the IFC – aimed at investment in private power generating capacity in Latin America. The targeted size of the Scudder Latin America Trust for Independent Power was $500m.

Mr John Richardson, associate director at Nomura International in London, said: "A great deal of emphasis will be placed on securitisation as a means of financing. Demand far exceeds the available supply and we are going to see a wider range of instruments."

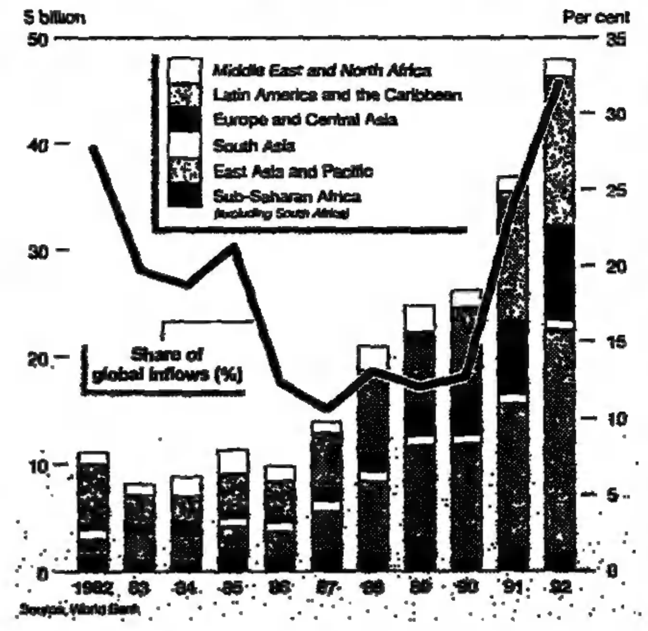
However, banks will still have an important and unavoidable role in the financings: "During the construction phase of the project, you are not going to be able to use bond finance; construction finance is the realm of banks. But once the construction is complete and it starts generating revenues, then securitisation comes into its own. The banks will be phased out and their balance sheets freed again."

Principal destinations of foreign direct investment 1989-92 (US$m)

Country	1989	1990	1991	1992	Total
China	3,393	3,487	4,366	11,156	22,402
Mexico	3,037	2,632	4,762	5,366	15,797
Malaysia	1,668	2,333	4,073	4,118	12,191
Argentina	1,028	1,836	2,439	4,179	9,482
Portugal	1,737	2,611	2,449	1,873	8,669
Thailand	1,776	2,444	2,014	2,116	8,349
Indonesia	682	1,093	1,482	1,774	5,031
Brazil	1,267	901	972	1,454	4,594
Nigeria	1,882	588	712	897	4,080
Venezuela	213	451	1,916	629	3,209
Korea, Rep	758	715	1,116	550	3,139
Turkey	663	684	810	844	3,001
Hungary	0	0	1,462	1,479	2,941
Egypt, Arab Rep	1,250	734	253	459	2,696
Colombia	576	500	457	790	2,323
Others	4,780	5,332	7,593	9,584	27,290
Total	24,710	25,340	38,876	47,288	135,194

Source: International Monetary Fund and World Bank estimates

Foreign Direct Investment in developing countries



Source: World Bank

Does the region have a current account problem? **Stephen Fidler** discusses the issues

Question mark over debt remains

The fall, when it came, was quick. The rapid plunge in the price of sovereign debt and Brady bonds in February and March has raised questions in the minds of some economists about the sustainability of the region's current account deficits. Put another away, the question posed was whether Latin America had truly escaped its debt problem.

"If the present disruption in the market results in more than a temporary slowdown in capital flows to Latin America, concerns could re-emerge about the sustainability of the region's current account imbalance," said Mr Peter West, economic adviser to the London-based West Merchant Bank last month. Those most vulnerable to such worries would be Argentina and Mexico, given the size of their current account deficits, he said.

The sharp drop in secondary market prices implied a sharp rise in the cost of finance for Latin American borrowers. Although the price collapse was less devastating in the Eurobond market where new finance is raised, that market appeared likely to remain all but closed for some time to new Latin borrowers.

Most countries have a significant cushion in foreign exchange reserves

Yet, some economists say the market uncertainty – at least until the assassination of the Mexican presidential candidate Luis Donaldo Colosio on March 23 – had more to do with the heavy inventories being carried by sovereign debt dealers ahead of the rise in US interest rates in February than with worries about rising US interest rates.

Mr Paul Luke, research head at Morgan Grenfell's debt trading arm, said the rise in US interest rates should not be a source of concern. Inasmuch as it reflected the strength of the US economy, Latin America would benefit. And if it reflected the US Federal Reserve's concern about the strength in commodity prices – up 8 per cent since October – the region would also be a prime beneficiary.

Moreover, much of government debt is at fixed rates, particularly in those countries that have secured Brady restructurings. In addition, equity inflows of portfolio and foreign direct investment have been more important than in the 1970s and early 1980s.

Most countries also have a significant cushion in foreign exchange reserves. "I don't think there is any particular concern about funding the current account deficits," said Mr Lawrence Brainard of Bankers Trust. "Foreign direct investment is increasing in Mexico, for example, where if anything they have too many inflows. It's why the exchange rate is so volatile – but reserves went past $30bn towards the end of February."

In Argentina, too, reserves rose from $10bn at the year end to around $13.6bn – it appears that funds have returned to the country to take advantage of the interest rate premium of Argentine pesos over dollars. Meanwhile, Brazil's reserves have risen to $35bn, and it should soon be able to reduce its debt service bill through a Brady bank debt restructuring.

Ms Marilyn Skiles, economist at JP Morgan, argued in a February research report that other factors had significantly lessened the vulnerability of the region to debt problems. The investor base was more diversified than in the early 1980s and may not move in unison as banks did then.

Unlike in the earlier period, private sector entities rather than the public sector have been the main borrowers, reflecting the improved fiscal discipline in some countries.

However, this fiscal discipline is not universal. In Venezuela, there are worries about the government's budget deficit – reflected in the price of that country's Brady bonds, yielding at the time of writing more than 19 per cent. Brazil may make significant strides with its current economic plan towards fiscal balance – but that has not been achieved yet. Furthermore, other public entities – such as the states in Brazil – are making demands on the capital markets.

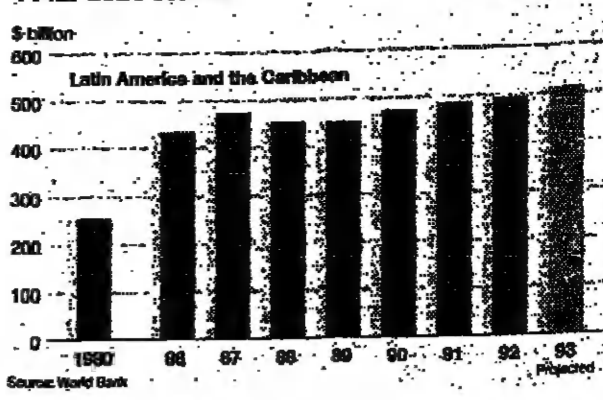
But the main fear is the sustainability of the current account deficits, given there is little evidence so far that capital inflows have expanded the export base of Latin countries. Ultimately, only through increased exports will increased debt be serviced.

Ms Skiles pointed out that most Latin countries' capacity to pay their debts had improved by some measures – such as the ratios of debt to GDP and interest payments to exports. But one important measure – debt to exports – had not improved except in Chile and to a lesser extent Mexico. "The limited improvements in Latin America's debt-to-export ratios are due in large part to the relatively poor performance of exports from the region, particularly in the past few years," she said. "While current account deficits are readily financed, because of the availability of external capital, the deterioration in their external balances suggest some Latin American countries may find themselves unable to generate sufficient foreign exchange earnings at some point in future."

Mr John Clark, an economist at the New York Federal Reserve Bank, argued in the bank's latest quarterly review that results of the Brady debt restructurings had been impressive, largely because it established a more stable long-run financial framework than did the previous approach.

But he also concluded that the Brady approach "did not achieve significantly more near-term cash flow relief for debtors than the previous approach" and that "debt service obligations remain heavy for the Brady countries".

Total debt stocks



Source: World Bank

The embrace of free trade has forced the continent's companies to think regionally

Cross-border ventures expanding

Latin America's rehabilitation in the international capital markets has been accompanied by a growing interest in the region by companies from the industrialised world. Faced with mature markets at home and the potential for fast growth in the developing world, they are looking overseas.

The trend has been reflected in gradually rising flows of foreign direct investment into the region. It has also been accompanied by a less-noticed but growing tendency of companies from within the region to seek investments in countries elsewhere in Latin America.

It is Latin America's embrace of free trade that has forced the continent's companies to think regionally. A decade ago they rarely considered investing outside their own borders. Generally less productive than their international competitors, and with a captive and profitable market at home, there was never any need.

Now, they have to compete against the world's most efficient producers to survive. For many, this has meant forming joint ventures with international rivals, or expanding into nearby regional markets by buying up competitors.

Access to cheaper financing has given regional companies the possibility of launching bids and buying stakes that would have been impossible a few years ago. Government regulations that prohibited inward and outward foreign investment have been scrapped, opening new opportunities to Latin and other foreign investors.

Companies from Mexico and Chile, the countries that began the continent's pro-market economic reforms a decade ago, have led the way. Many Chilean companies reckon they are too small to survive in the global market place and have thus expanded into Peru and Argentina.

Mexican businesses have the financial muscle to grow and find new markets, and believe that by so doing they will benefit from economies of scale.

The trend was started by Vitro, Mexico's dominant glass company. Back in 1989 it spent some $900m (including debt) on acquiring Anchor Glass, a US rival.

The acquisition turned Vitro into one of the world's largest glass companies, better able, in the opinion of its managers, to fend off competitors in the domestic market.

Since then scores of other Mexican companies have followed Vitro's lead. Synkro, a Mexican textile company, last December paid $233m for Kayser-Roth, a US textile producer; Dina, a bus and truck assembler, earlier this year paid in equity more than $336m for the US Motor Coach Industries International, making it the largest bus producer in the Americas; Mr Bernardo Dominguez, the head of DSC, a privately owned tourism to construction outfit, paid with partners $708m for Westin hotels in February.

Cementos Mexicanos, the cement giant, and Televisa, the media giant, have targeted both North and Latin America as growth areas for the company. Cemex has taken the decision as part of its strategy of becoming a global cement company, and Televisa largely because of synergies it sees between different Spanish-speaking markets.

In positioning itself as the Spanish language's dominant media company, Televisa has taken significant stakes in Univision, the US Spanish-language network, TGV, a Chilean network, Compania Peruana de Radio Difusion, a Peruvian television network, and has a joint venture in Argentina.

Televisa reckons such stakes will enable it to make higher profits from broadcasting its highly successful television programmes, that have long dominated Spanish-speaking Latin America. Televisa is now expanding cable television in the region, suggesting it has further to go.

Apart from an important acquisition in Spain, Cemex several years ago bought cement companies in the south of the US, and recently purchased cement companies in Jamaica and the Bahamas. It also has a joint venture with the Cuban state producer. Last March it paid an estimated $300m for a controlling stake in Venezuela's largest cement producer.

Cemex believes that Latin America is the natural area of expansion for the company, given the similarities in culture and language with Mexico, and prospects for high economic growth.

It is now being followed by Mexico's largest construction companies, Tribasa and ICA, which believe they can bring to other Latin American countries the skills that enabled them to build Mexico's toll roads, and other high profile infrastructure projects.

Aeromexico, one of Mexico's two main airlines, believes, like Cemex, that in the long run it can only survive if it expands internationally, and that the natural competitive advantage it enjoys is in Latin America. Thus February last year it bought with Peruvian partners a controlling stake in Aeroperu, and is using the Peruvian carrier's routes in the continent to expand in the region.

The growing expansion of Mexican companies is being aided by the government, which has been pushing for free trade agreements between Mexico and other Latin American countries, such as those signed with Chile and Costa Rica. These agreements are expected to expand bilateral investment, and make businessmen more aware of complementary circumstances between their markets.

Chile's most adventurous cross-border investors have so far been energy companies. The trend began in earnest in 1992, when Chilectra, Chile's biggest electricity distributor, paid $102m as leader of a consortium that bought 51 per cent of formerly state-run Edesur, a Buenos Aires electric utility.

That year saw two other energy groups lured by Argentine privatisations. Endesa, Chile's biggest utility, spent $90m on a Buenos Aires power generator while a rival consortium, led by electricity generator Chilgener, paid $92m for a majority stake in Central Puerto, also in the Argentine capital.

Last year, Chilgener was flexing its transAndean muscles again, investing $90m in a three-way consortium that bought 59 per cent of hydro-electric plant Piedra del Aguila in central Argentina.

Energy companies have not been alone in finding Chile's market of 13m people too small. Santa Carolina, the supermarket group, last April took over a Peruvian chain, while Chilean pension funds (AFPs) – including Santa Maria, Habitat and Provida – have participated in the establishment of a Peruvian private pension fund system to the tune of some $30m.

In 1992, Dos en Uno, the sweet maker, built a plant in Argentina for $12m and conglomerate CMPC chose the same location for its $14m nappy factory. Lord Cochrane, Chile's biggest printer, has set up a printing press in Buenos Aires in association with Argentina's Atlántida, and one in Brazil with São Paulo publisher O'Globo.

Chile's more ambitious companies, long used to competing in the deregulated domestic market, are proving themselves ever more willing to apply those skills in new, potentially highly profitable, Latin American turf. Central Bank figures for approved foreign investments – which underestimate real outward capital flows – have leapt from only $10m in 1988 to more than $400m last year.

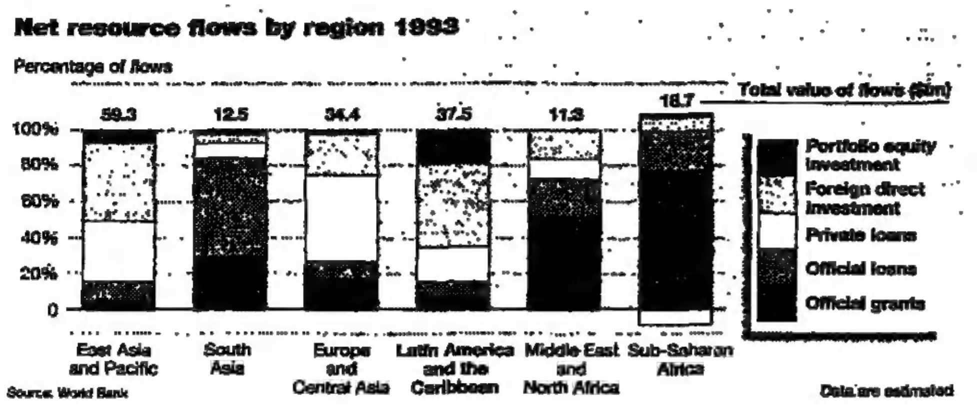
Argentina, with an economy more than three times the size of Chile's, has been by far the biggest attraction, accounting for an estimated 65-70 per cent of investments. Peru, which has one of the most ambitious privatisation programmes in Latin America, comes in second, with other investments in Bolivia, Columbia, Mexico and Panama. The shoemaker Dolphin has even invested $2.3m to begin production in Cuba.

Chilean companies have proved themselves adept at raising finance abroad for foreign ventures. Masisa last year mustered $58m in the US by placing American Depositary Receipts in New York. Much of that was injected into a $100m fibre-board plant in Argentina.

Chilean pension funds, now marshalling funds of $16bn, are also about to become more involved in Latin American businesses. Recent capital markets reform allows them gradually to expand investments abroad to 12 per cent of their assets.

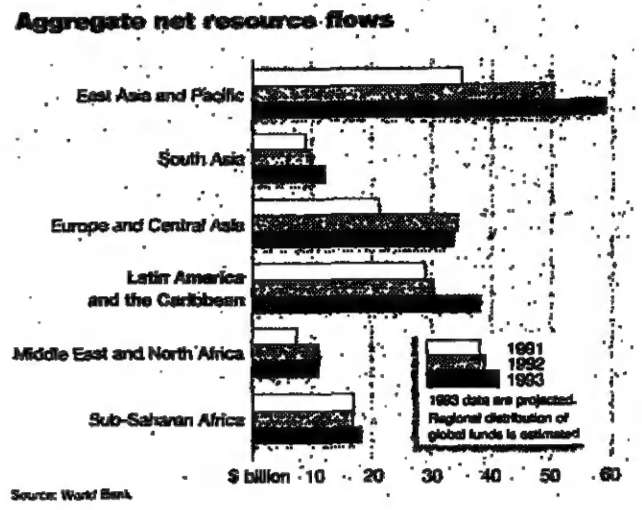
Damian Fraser and **David Pilling**

Net resource flows by region 1993



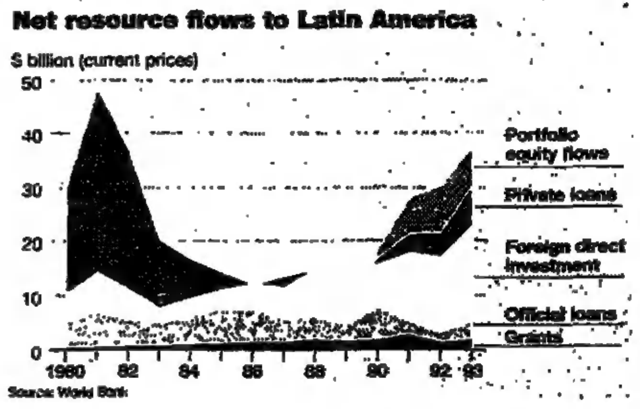
Source: World Bank
Data are estimated

Aggregate net resource flows



Source: World Bank

Net resource flows to Latin America



Source: World Bank

THE MARKETS

■ INTERNATIONAL EQUITIES

Investors are likely to focus on quality

Latin American companies have attracted substantial sums of money from specialist emerging market investors during the 1990s, through an assortment of government privatisations, initial public offerings (IPOs) and secondary share sales.

Latin American demand for money – raised through such international equity offerings – is expected to remain strong, but market analysts point to two likely trends this year.

For a start, international investors may find that the relatively difficult market conditions experienced in February and March continue, calling a temporary halt to the stream of new issues as companies await more favourable conditions. And second, as the various Latin American markets continue to grow and develop, investors will have to be more discerning about the quality of companies in which they invest.

The volume of new international equity issues rose sharply last year, jumping to a total of $6.05bn in 1993 from $3.96bn the previous year, according to figures compiled by *Euromoney*.

Last year's total figures were boosted by the launch of a very large share offering from YPF, the Argentine oil and gas company, which provided the highlight of the Latin American calendar.

The Argentine government sold a 45 per cent stake in YPF in June 1993, raising a total of $3bn which included an international tranche of some $2.3bn. The deal was heavily subscribed by foreign investors and helped to lift the total amount raised from Argentine companies via international share offerings to $2.72 bn. Mexican companies completed a total of 25 issues raising $2.87 bn last year.

This year has started off reasonably strongly with international equity offerings from Mexico, Brazil, Argentina and Chile raising a total of $1.23bn. But analysts point out that market conditions have been extremely choppy. The US Federal Reserve's decision to raise US short-term interest rates – by 25 basis points on February 4 and by a further quarter point on March 22 – sparked heavy selling in many of the world financial markets and left international investors nervous about future trends in the US, Europe and the various emerging markets.

"Markets are nervous, and the emerging markets will probably feel the global underwriting pinch even more [than the developed markets]," says Mr Dan Smaller, emerging market product manager at Lehman Brothers in London. He believes that as a result, the pace of new issuance from Latin America is likely to slow down in the near term.

'Markets are nervous, and the emerging markets will probably feel the global underwriting pinch even more [than the developed markets]'

Added to this, the political situation in Mexico has not helped sentiment either: in the space of the past three months, Mexico has suffered from a peasant uprising in the southern state of Chiapas, the kidnapping of a senior banker and the assassination of Mr Luis Donaldo Colosio, presidential candidate of the governing party.

International investors tended to regard Mexico as the bastion of stability in Latin America, so these recent developments have come as a severe shock. Yet analysts still expect to see the country credit rating lifted later this year from sub-investment to investment grade by the key rating agencies and are optimistic that economic growth will pick up again in the second half of the year.

"We still think the markets are fundamentally attractive," says Mr Richard Lamb, director of Morgan Grenfell Asset Management which manages pension and insurance fund money.

There are still plenty of interesting deals waiting on the sidelines for a suitable moment. Market specialists point out that investors can expect to see further privatisations of utilities in Argentina, Brazil, Peru and Venezuela, which are expected to provide "decent-sized" international offerings. On the corporate side, there may be more IPOs and secondary placements, although these may be somewhat smaller in size, according to Lehman Brother's Mr Smaller.

Mrs Ondine de Villalobos, Latin American equities analyst at Paribas Capital Markets, expects to see a lot of paper coming out of Argentina. "By the end of 1992 – excluding YPF – the government had more or less completed its privatisation programme. Now, it is expected to sell its remaining minority stakes – of around 30 per cent – in companies in the gas transportation, gas distribution and electricity distribution sectors."

Mexican companies are also expected to pursue more international equity offerings, either as new companies seek listings or as existing listed companies return to tap the market again for more money.

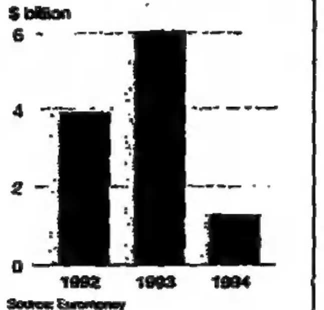
The other main development that market specialists expect to see is a "focus on quality". There are plenty of Latin American specialists who claim that international investors fail to apply the same discerning principles of investment to the emerging markets that they use for other more developed markets such as the US or UK.

The more cautious among them stick to the blue chips – such as Telmex, the Mexican telecom company – because these stocks are very liquid. Others tend to "buy a particular market" without really discriminating much between the individual companies, claims one Latin American specialist.

"This is the year of fundamental valuations and analysis, and investors will have to be much more selective," says Mr Smaller.

Part of the problem is the standard of information available. Some investors complain about the quality of information they receive. Those companies which have New York Stock Exchange listings must comply with the SEC regulations in providing financial information. "The only companies which give a lot of information are those with ADRs which means that they are required to (provide the information)," says Mrs de Villalobos.

International equity issues for Latin American borrowers



Source: Euromoney

These tend to be the big blue chips, but on the whole, "companies need to give out a lot more information, as this information is not readily available in annual reports," says one analyst.

Investors point out that there is plenty of scope for an improvement in the independent research provided by banks and brokers.

"Banks should provide good research on the company as well as taking a sectoral approach in Latin America and globally," says one Latin American specialist. "The quality of third party research is generally pretty low," says Mr Lamb, but he points out that the US firms are generally taking steps to beef up their Latin American research departments by hiring staff "so an improvement is under way".

Sara Webb

■ EUROBONDS

Mood turns distinctly sour

Latin American borrowers have seen the mood in the international bond market turn distinctly sour in recent weeks as the combination of higher US interest rates and a host of quite unexpected domestic factors have unsettled investors.

Given the volatile conditions in the world bond markets, Latin American names may well find that they have to accept less favourable borrowing terms on their bond issues for the foreseeable future, offering investors more generous yields to entice them back into the market.

And following the collapse of Banco Latino, Venezuela's second largest bank, in January and the subsequent crisis in the Venezuelan financial system, many investors would be wise to pay closer attention to the creditworthiness of individual Latin American borrowers, especially if some of the less familiar names make an appearance once market conditions calm down.

Latin American borrowers, sovereign and corporate alike, had a field day in the international bond market in 1992 and 1993. While Latin American names raised a total of $9.64bn with 112 separate issues in 1992, the amount raised soared to $22.58bn (218 new issues) in 1993, according to figures compiled by Euromoney.

The evolutionary process has been disturbed by the severe shake-up in the world's bond markets

As interest rates in the US gradually declined during the 1990s, and yields on US Treasury bonds fell to their lowest level in nearly 20 years, US investors searched further afield for high-yielding bonds with enhanced returns.

A wall of money washed across the globe as investors hunted for yield and turned to the emerging markets. Latin American Eurobonds proved attractive investments: they are mainly denominated in US dollars and offer investors a high yield pick-up – known as the yield spread – over US Treasury bonds, ranging up to about 550 basis points over Treasuries for some of the poorer credits.

Investors were keen to lock into a high yield and make capital gains as bond markets rallied and as yield spreads over Treasuries narrowed, helped by expectations that certain Latin American borrowers such as Mexico would see an upwards revision in their credit rating.

Borrowers were able to raise cheaper funding abroad in the international bond markets than back home in their own domestic financial markets. They raised fixed rate funding in US dollars and used it partly to pay down the more expensive domestic debt and partly to fund expansion.

Several important trends have taken place since the emergence of Brady plans enabled the rehabilitation of Latin American borrowers in the international capital markets. The range of borrowers has widened to include private sector corporate names as well as sovereign borrowers and public sector companies. A handful of Latin American borrowers – such as Cemex of Mexico and the Republic of Argentina – have launched large global bond issues, providing investors with more liquid paper. Borrowers have succeeded in launching longer-dated paper, and have broadened the range of currencies in which their bonds are denominated to appeal to a wider investor base.

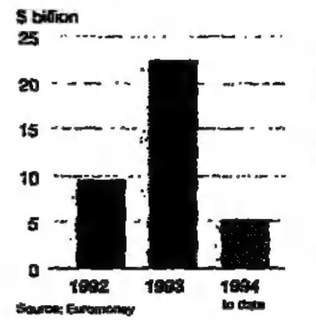
"This is a relatively new market, born out of the Brady plans in 1991-92, and it will go through various ups and downs, but it will continue to grow and attract interest," says Mr Jerry Brown, manager of emerging market Eurobond trading at Salomon Brothers in New York.

This gradual evolutionary process has been disturbed by the recent severe shake-up in the world's bond markets.

The decision by the US Federal Reserve to raise interest rates by a quarter point on February 4 upset the world financial markets and left borrowers uncertain about the direction of US interest rates. Until the markets become more settled, it seems unlikely that borrowers of any description will hurry to issue fixed rate bonds.

However, some Latin American names – including Pemex and Banamex – have launched floating rate notes (FRN), hoping to take advantage of investor uncertainty. Mr Paul Luke, Head of Emerging Markets Research at Morgan Grenfell, warns borrowers will have to concentrate on the FRN sector in future, and must accept higher yield spreads on their fixed rate issues.

Eurobonds and global bonds for Latin American borrowers



Source: Euromoney

However, countenancing higher spreads in the secondary market and on new issues is not necessarily going to make life easier, some experts warn. "Borrowers face a very difficult problem, because even if they want to come at slightly higher yield spreads, lead managers (on the bond issues) will find it difficult to place the paper (with investors)," says Mr Pepe de Aguinaga, head of bonds at Latinvest Securities.

He warns that if borrowers are forced to borrow in their domestic markets, they could face higher borrowing costs and this could eat into corporate profits. Mr Luke says the main losers "would include the Brazilian institutions, given that real domestic interest rates are so high".

On the domestic front, Mexico's various political problems and Venezuela's banking scandal have probably had the most impact on bond issues with some psychological spillover into neighbouring markets.

Mr Brown of Salomon Brothers says that since mid-January, the Mexican market has been extremely volatile due to the peasant uprising in the southern state of Chiapas, the kidnapping of a senior banker in March, and the assassination of Mr Luis Donaldo Colosio, presidential candidate of the governing party.

"We need to see the following happen now – a new presidential candidate, a resolution of the Chiapas situation, and a sorting out of the democratisation process. Until this happens (Latin American) Eurobonds will continue to be volatile," says Mr Brown.

Even so, many Latin American experts are optimistic about the longer-term prospects for Mexico, which is widely expected to have its credit rating raised from sub-investment (or "junk") to investment grade, probably by the end of this year.

Mr Luke points out that there is a silver lining to the otherwise difficult international background. "Higher US rates do not matter as much as many observers think because 60-70 per cent of Latin American debt is fixed. Moreover, commodity prices have risen by eight times as much as nominal rates in the last six months, so LDCs (less developed countries) face negative real interest rates. Faster US growth is also excellent news for the Latins" says Mr Luke.

Many Latin American experts are optimistic about the longer-term prospects for Mexico

Ms Leena El-Ali, fixed income manager at Foreign & Colonial Emerging Markets, points out that "countries like Mexico and Argentina have a good domestic story", adding that in Mexico's case, it will benefit from factors such as Nafta and membership of the OECD. "At the moment, people are concentrating on the international aspects. As this situation is resolved, the local stories will become more important," predicts Ms El-Ali.

Sara Webb

■ BRADY BONDS

Strong nerves called for

Investors in Latin American Brady bonds will need strong nerves in the coming months to cope with market volatility amid continued political and economic uncertainty.

After last year's stellar performance, the region's markets have been ravaged in the past two months by the sharp sell-off that has sent bonds worldwide tumbling.

"Last year we saw the mother of all bull runs – followed by the mother of all crashes," says Mr Peter West, economic adviser at West Merchant Bank in London. "The sell-off wiped out a substantial proportion of the gains made last year."

After posting a record 43.87 per cent return in 1993, Brady bonds in the year to March 24 fell by 14.48 per cent, Salomon Brothers' Brady Bond Index shows. The Brady bond market comprises about $95bn of bonds converted from loans under commercial bank restructuring agreements in the late 1980s and early 1990s.

The markets' initial slump was triggered by the US Federal Reserve's monetary tightening on February 4, but exacerbated by adverse regional developments, such as the Chiapas uprising in Mexico and the collapse of Banco Latino, Venezuela's second-largest commercial bank.

The sell-off was further fuelled by heavy selling from highly leveraged short-term participants – including the much-maligned hedge funds – facing margin calls after losses in other markets.

"A big part of the rally last year was due to money flows from people who were not very acquainted with, nor very dedicated to, this market," says Mr Marc Wenhammer, head of fixed-income at Foreign & Colonial Emerging Markets, who hold about $400m in Latin American bonds.

A second wave of selling was prompted by the assassination on March 23 of Mr Luis Donaldo Colosio, Mexico's leading candidate for the presidential elections. This put another damper on the Mexican bond market and its neighbours and seemed to weaken the prospects for the long-awaited upgrading of Mexico's credit rating. For months, bankers have been hoping that Mexico's foreign debt rating will be raised to investment grade, from its present sub-investment level. An upgrade would have significantly widened the potential investor based for Mexican bonds.

Standard & Poor's recently affirmed its BB+ rating (one notch below investment grade) and its positive rating outlook, but few expect an upgrading this year. Moody's Investors Service rates Mexico's long-term Eurobonds Ba2, two notches below investment grade, and its par and discount bonds Ba3.

Faced with continued political and economic uncertainty and resulting market volatility, investors have remained cautious. However, for now, few observers see the threat of last year's heavy inflows being reversed this year. "The flows will tail off, but they will continue at lower rates," predicts Mr Paul Luke, senior economist at Morgan Grenfell.

Although some short-term participants and US mutual funds have pulled out, longer-term investors, including insurance companies and pension funds, have been reported to be testing the waters. Moreover, there is a feeling that the next wave of buyers is not looking for a quick killing, but will need to take a more realistic investment approach.

"The recovery will probably be more gradual, but also more stable," says Mr Luis Luis, chief economist for emerging markets at fund managers Scudder, Stevens Clark in New York, who invest some $1.5bn in emerging bond markets.

"I hope we'll get greater selectivity by more discerning investors," says Mr Wenhammer.

At present levels, Latin American Brady bonds look cheap. Moreover, the ferocity of the recent sell-off has created anomalies in certain sectors which offer "a good buying opportunity for long-term investors", says Mr Luis.

Take floating-rate bonds. Since their coupon is pegged to money-market rates, floaters are usually protected from sharp jumps in long-term yields and gain value when short-term rates rise. However, during the recent bond market sell-off, Brady floaters fell sharply, effectively behaving like long-dated fixed-rate bonds. With no fundamental changes to justify this move, their slide was largely a function of supply and demand factors – leveraged participants liquidating their positions. Thus, "these bonds are undervalued, and will increase in yield as rates rise", says Scudder's Mr Luis.

Interestingly, even during the recent heavy sell-off, "the market maintained its ability to handle heavy flows", says Mr Joe Boyle, head of emerging markets trading at Chase Manhattan Bank in New York. Bid-offer spreads did not widen significantly and there was no lessening in liquidity during the turmoil. "This testifies to the depth of the market."

Still, the Colosio assassination sent shock waves through the markets which are likely to reverberate in the region for some time. "It increases the perception that Mexico still has a long way to go in opening its political system and dealing with social imbalances," says Mr West at West Merchant Bank. "This may make some investors look at these markets with more caution than before."

"Mexico has always been regarded as a benchmark for the region – all the other markets trade off it," says another analyst. But while she expects the neighbouring markets to track Mexican bonds, the increase in the political risk could cause neighbouring markets' yield spreads over Mexican bonds to tighten. "The fundamentals in the other countries are still what they were before the assassination."

With sentiment shifting from the rampant optimism of last year to overwhelming bearishness of late, good news has tended to be ignored, says Mr West. However, "once things settle down, people will focus on the positive news", he predicts. These good tidings will include progress in the the ongoing debt restructuring by countries converting their former bank loans into Brady or Brady-style bonds.

Brazil is set to complete its $52bn debt restructuring by April 15, making it the last of Latin America's big four debtor countries – the others being Mexico, Venezuela and Argentina – to complete a Brady-style debt deal. Brazil's bank creditors recently decided to go ahead with the restructuring even though Brazil failed to win a standby loan accord from the IMF.

Next in line is Bulgaria, which is expected to exchange its debt by June 30. Some say the deadline may be extended due to administrative delays, but most market observers expect the deal to be completed later this year.

Among other ongoing Brady-type negotiations, Ecuador appears to be closest to an agreement in principle, while Panama and Peru continue talking with their creditors.

Conner Middelmann

Debt traders: the top 10
Turnover in emerging markets for restructured debt and leading traders ranked by volume

Trading house	Rank 1993	Rank 1992	Rank 1991	Turnover ($bn)[1] 1993	Turnover ($bn)[1] 1992	Turnover ($bn)[1] 1991
JP Morgan	1	2	3	193.0	64.0	26.0
Salomon Brothers	2	5	7	153.9	47.0	17.0
Chemical Bank	3	3	1	130.0	50.3	31.0
Chase Manhattan	4	4	2	123.0	49.0	27.0
Citibank	5	6	6	116.0	40.2	19.4
Morgan Grenfell	6	1	4	107.9	67.8	22.0
Merrill Lynch	7	7	8	83.0	38.4	16.0
Lehman Brothers	8	15	20	68.0	17.0	3.0[2]
ING Bank	9	8	5	65.0	33.7	20.2
Bankers Trust	10	12	12	53.5	25.0	10.0

1 Defined to capture the secondary market for restructured and impaired commercial bank debt, but excluding primary and secondary Eurobond markets, and local currency and dollar-denominated local market instruments. 2 Last four months of 1991

Source: Risk magazine market survey, February 1994: trading houses' calculations of their own turnover and estimates of total mar

■ DERIVATIVES

Funds flow into options

The huge investment flows into Latin American securities over the past few years have fuelled rapid growth in the use of derivatives in the region and beyond.

Bankers who have been involved in the development and marketing of these structured fixed-income and equity products, mainly in the form of options and warrants, say their main attraction is that they provide investors with a highly-leveraged exposure to Latin America at a fraction of the cost of buying the underlying securities. At the same time, they offer investors a certain amount of protection against the inherent volatility in these markets.

"If you want to delve into Latin America with limited risk then options are the way to do it," says Mr Louis Hanover, a specialist on emerging market debt derivatives at Merrill Lynch in New York.

However, others have reservations about the risks associated with derivatives on such volatile underlying securities. They point to the lack of a recent price history to allow one to judge volatility of the underlying security – a critical factor in its pricing. A further concern is the relatively high chance of liquidity drying up in the event of a price collapse or the repatriation of international funds which have been invested in Latin America over the past few years.

Mr William F. Truscott, an equity fund manager at Boston-based fund manager Scudder, Stevens & Clark, says of derivatives: "We haven't made active use of them. You have to look at them very closely to make sure that you're not overpaying – particularly if you're buying over-the-counter options."

Nevertheless, the early success of the industry has drawn attention away from the risks. Derivatives fans point to the mushrooming trading volumes in derivatives on Latin American debt following the restructuring of Latin American sovereign bank debt through the issuance of Brady bonds. Mr Hanover estimates that around 200m options on notional bonds are now traded on a daily basis.

Mr Jordi Wiegerinck, head of asset trading at the Dutch bank, ING, in São Paulo, expects the trading volume in derivatives on Brazilian debt alone to rise threefold this year to $40bn to $50bn from $18bn last year. "The liquid underlying market has enabled the derivatives market to develop," says Mr Wiegerinck.

He adds that warrants offer best possible leverage to a volatile market. "You can buy the underlying security and get a yield of 12 to 13 per cent but you run the risk that the country will not be solvent in two years' time," he says.

On the equity side, bankers say that the derivatives business has been given a significant boost by the wave of privatisation which has swept through the region since the late 1980s.

Mr Jeremy Campbell-Lamerton, managing director of Inverlat International, the London-based European operation of Grupo Financiero Inverlat, Mexico's fourth largest financial institution, says that the progress has been substantial in three fields.

First, the options exchange in Chicago now has contracts on 10 Latin American companies, providing international investors with exposure to companies in Mexico, Brazil, Chile and Argentina. These include Telmex, the Mexican telephone company; Ica, the Mexican construction company; Panamco, a US-listed Panamanian company which has Coca-Cola interests in Mexico; Aracruz, the Brazilian pulp and paper company; CTC, Chile's telephone company and YPF, the Argentine oil group.

Second, most countries in Latin America now have thriving options exchanges for local investors. Although the life of the options is short, around 28 days, trading volume in the instruments is significant, particularly in Argentina and Mexico where the market's capitalisation is estimated at $100m.

There have also been issues of domestic over-the-counter (OTC) warrants on Brazilian and Mexican stocks denominated in local currencies, though foreigners are less interested in these products, mainly due to the currency risk.

As a result, there has been a third area of growth in Latin American derivatives for which international investors have shown a formidable appetite, namely the dollar-denominated OTC market in so-called "synthetic" warrants.

These warrants, which for the most part are exercisable into the American Depositary Receipts (ADRs) of Latin American companies, are "synthetic" since they have not issued by the companies but by banks which have identified a pool of demand from their clients. The warrants can also be cash-settled.

Since the warrants are priced in dollars, the holder does not need to worry about capital controls or currency risk. In addition, trading in many of the warrants can be settled through Cedel and Euroclear, Europe's two main clearing houses.

Mr Campbell-Lamerton says that this market has grown rapidly over the past 12 months and estimates that there are now 120 issues compared with fewer than 10 issues one year ago. Volume is thought to be around $2bn. Although the market is at an early stage, its future development will be limited by the finite pool of ADRs which can be used, Mr Campbell-Lamerton says.

The warrants are not "covered", that is the issuing bank will not actually own the underlying securities. However, the issuing bank will have hedged itself by taking out a series of options so that if the warrant holders exercise their rights, the bank can deliver the goods.

Antonia Sharpe

■ PENSION FUNDS

Hospitable laboratory

European states, anxious to reform their overburdened state pension schemes, would do well to take a look at Latin America.

There, governments are beginning to put in place attractive alternatives to their creaking pay-as-you-go state pension schemes which rely on contributions from existing workers and their employers to pay benefits to those already retired. The reforms involve the diversion of employee contributions to long-term individual savings accounts and away from the state pension scheme.

In the process of this reform, Chile, the pioneer in Latin America, has built up a domestic capital market valued at over $15bn. These newly-created Chilean pension schemes, begun in 1981, provided 72 per cent of all domestic investment by the end of 1991. And, unlike the recent surge of foreign investment into Latin America, which can flow out as easily as it flowed in, domestic pension funds provide capital which is here to stay.

"When private pension schemes first started in Chile, there really wasn't a domestic capital market," said Mr Tim Sharples, a director at Callund and Co, an actuarial consulting firm specialising in Latin America.

The growth of assets under management has been so swift that Chilean regulators have had to gradually relax the investment restrictions placed on the private pension schemes. According to data from Chile's Superintendent of Retirement Fund Administration Companies (AFJP), the average pension fund's investment in equities has risen from nil in 1981 to about 10 per cent in 1986 to roughly 40 per cent by the end of 1991.

Moreover, currency-matching requirements have been relaxed, allowing for some investment abroad.

Chile's neighbours have watched its emerging pension fund business with growing interest. Last May, Peru put in place its own version of Chile's dramatic reform of its state pension system, while Argentina will launch its pension reforms on June 1 this year. Colombia has recently passed legislation allowing for similar reforms while Bolivia is also examining the same structure.

Pension reform in Latin America is proving attractive especially to US-based insurance companies and fund managers. American International Group (AIG) has a significant presence in the pension fund management business there, and UK-based fund management companies are anxious to export their expertise. For instance, Mr Win Bischoff, chief executive of UK merchant bank Schroders, recently pinpointed Argentina as a potential growth region for the group's investment management business.

But aside from the potential that pension reform offers service providers, Chile's shift to a funded pension system is being closely watched, particularly by European governments anxious to do the same.

For most countries, making the shift is complicated by the fact that the bill for those already receiving state pensions, is paid by current workers. If the contributions of those workers were to be diverted to long-term savings accounts, governments would have to meet the pensions bill out of tax receipts – something most governments are unable to even contemplate.

Mr Sharples notes that Chile was to some extent bailed out by its demographics; it has far fewer pensioners per worker than most European states. Moreover, it guessed – correctly – that the 1980s would be a decade of strong economic growth which would enhance its tax receipts.

To finance its existing pension obligations, Chile issued long-term bonds and set investment rules requiring AFJPs, the managers of the funded pension schemes, to buy them. Thus, Chile was able to recycle much of the individual savings in a way which allowed it to meet its own pensions bill.

Moreover, it changed the way national insurance contributions were treated. Instead of the previous system which made NI contributions a liability of the employer, they became a liability of the employee. "Tax avoidance decreased because people could see a reason to declare their earnings and make a payment," Mr Sharples said.

Meanwhile, western governments may find other lessons to be learned from the Latin American pensions experiment. For instance, both the Chilean and Argentine systems are compulsory for younger workers, with older workers having the option of either remaining in the state scheme or choosing a private pension.

Also, both countries have chosen to cap costs. In Chile, three percentage points of the 13 per cent of each workers' pay which goes in contributions is set aside to cover life insurance and disability insurance premiums and costs.

Overall, the Latin American experiment with pension reform offers a few crucial lessons for other western governments grappling with a state pensions bill threatening to run out of control. However, the peculiar demographic and economic conditions at work there may make it a much more hospitable laboratory for such experiments than other more industrialised nations.

Norma Cohen

Reforms set the pace

Continued from page 1

tively heavily indebted and have yet to develop strong foreign exchange earnings capacity that will be needed to service their foreign liabilities in the future. According to Ms Marilyn Skiles, an economist with JP Morgan: "The current availability of external finance provides these countries with an opportunity to develop competitive export sectors. Unless this happens, the countries may be vulnerable at some point in the future to a sudden shift in investor preferences."

The international capital market is an often capricious master as this year has forcefully demonstrated. While Latin America continues to need foreign capital, its governments are likely to be subject to its whims. Liberation will come only for those countries that succeed in the difficult task of increasing their own domestic savings rates.